Austria	Sch24	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.700	Israel	Shk4.50	Philippines	Pes40
Belgium	BFr55	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Es165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.600	S.Arabia	SR7.00
Finland	FM8.30	Lebanon	L£400.00	Singapore	S$4.10
France	FFr7.00	Lux	LFr55	Spain	Pta165
Germany	DM2.50	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr180	Morocco	MDh8.50	Switz	SFr2.50
Hungary	Ft107	Neth	Fl 3.25	Thailand	Bht50
Iceland	IKr180	Nigeria	Naira12	Tunisia	Din0.800
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,275

Friday October 12 1990

D 8523A

GATT TALKS

Juggling with the tricks of trade

Page 18

World News

Hopes fade for radical Soviet reform package

Hopes have been all but abandoned for a radical 500-day plan to transform the Soviet economy into a market system, despite the joint backing of President Gorbachev and Russian President Boris Yeltsin.

An alternative strategy of massive regulated price and wage rises may be already under way. Page 20

Jerusalem protest

Police fired teargas in Jerusalem's Old City to break up a march by about 150 Palestinians to the Temple Mount, where 19 Arabs were killed by police gunfire this week. Hard time for Bush, Page 8

Warsaw Pact row

Squabbling between the Soviet Union and its five remaining Warsaw Pact allies is hampering final stages of a treaty limiting conventional arms in Europe. Page 20

Spanish disco blast

Three people who died in an explosion that wrecked a Spanish disco were possibly victims of their own bomb, local government officials said.

Polish oil boost

Poland said it will boost oil reserves to full capacity in the face of threats by the Soviet Union to suspend shipments in January.

Perrier work halted

Bottling workers striking for higher pay shut down production at the Perrier plant in southern France.

Nigerian violence

At least eight men and a woman have been shot or burnt to death over the past fortnight in a land dispute in Nigeria's Gongola state, Lagos police said.

Malaysian sackings

Malaysian Prime Minister Mahathir Mohamad axed three ministers from his list of candidates as nominations closed for next week's general election.

Indian strike chaos

Work at Indian state-owned oil refineries and steel companies halted as middle-ranking managers began a two-day strike for higher allowances. Austerity measures, Page 8

Japan 'spies' freed

North Korea released two Japanese seamen after holding them as spies for seven years, less than half way through their 15-year prison sentance. Page 8

Greenpeace warning

Greenpeace, the environment group, warned that dumping of toxic wastes was now an urgent problem. Page 2

Paz wins Nobel prize

Mexican poet and essayist Octavio Paz, best known for his book The Labyrinth of Solitude, won the 1990 Nobel Prize for literature Page 5

PC goes to pot

Copies of a speech by Hong Kong Governor Sir David Wilson, sent to newspapers on floppy discs, were infected with a computer virus that froze keyboards and flashed the message: "Your PC is now stoned. Legalise marijuana."

Business Summary

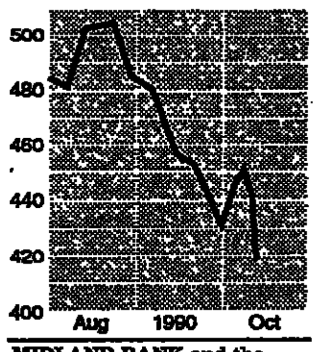
Mediobanca discloses 5% ownership of Continental

MEDIOBANCA, Italy's largest merchant banker, disclosed that it owns 5 per cent of Continental, German tyre manufacturer which is fighting off a merger approach from Pirelli of Italy. The shareholding, cost Mediobanca L144.8bn ($126m) and confirms that it is among Pirelli's allies in its bid for Continental. Page 21; Lex, Page 20

PLATINUM tumbled by more than $20 a fine ounce on the London bullion market. Commodities, Page 30

Platinum

$ per troy ounce



MIDLAND BANK and the Hongkong and Shanghai Bank are preparing to postpone their planned alliance. Page 21

PRATT & WHITNEY, US aero-engine maker controlled by United Technologies (UTC), and Motoren-und Turbinen-Union (MTU), aero-engine subsidiary of Germany's Daimler-Benz group, are to exchange up to 20 per cent of their equity. Page 21

BANQUE Nationale de Paris, leading French state-owned bank, has reported a 29 per cent decline in first half net profits to FFr993m ($193m). Page 23

TRADE: The US will soften its plan for world farm reform and call for cuts of 90 per cent in export subsidies and 75 per cent in internal supports and tariff barriers. Page 20; Gatt, Page 18

JAPANESE Ministry of Finance has started an investigation of Sumitomo Bank, leading commercial bank hit by scandal. Page 8

ROYAL TRUST, Canadian financial services group, is cropping some of its European operations after suffering sizeable losses. Page 21

TREUHAND, body charged with privatising East German industry, may need credit of DM35bn ($23bn) by the end of 1991. Page 3

CPC International, one of the largest and most geographically diversified US foods groups, unveiled a 13 per cent rise in third-quarter net earnings, to $98.6m. Page 22

TNT, Australian transport group, slipped to a five-year low on the Australian Stock Exchange (ASX), losing 13 cents to close at A$1.55 (US$1.29). Page 22

FINANCIAL TIMES. From next Wednesday the Financial Times will include a weekly page on Business and the Environment. It will analyse environmental issues as governments pass more stringent laws and consumers make their concerns felt in the market place.

EC row brews over plan for tougher state aid policy

By Lucy Kellaway in Brussels

PLANS to increase further the powers of the European Commission in controlling state aid to industry will come in for strong criticism next week from European Community member states.

At a meeting in Luxembourg on Monday, industry ministers will question the rationale of the Commission's tough approach to state aid. Italy, which holds the presidency of the council of ministers, will push for a new regulation that would establish firm guidelines for future state aid policy.

Any such suggestion will be strongly resisted by Sir Leon Brittan, the European Community competition commissioner, who wants to preserve maximum flexibility in the conduct of policy. Under the Treaty of Rome he has broad powers to act against any aid that distorts competition and is not compatible with the single market.

Exceptions are made for regional aid, social aid, and aid that promotes "an important project of Community interest". The Italians want the commission to bring forward a regulation that will define these conditions more clearly.

Sir Leon will argue that the existing rules are clearly defined by the courts and that the commission is transparent in its new approaches, always discussing them with member states in advance. He is likely to be supported by most of the northern member states including the UK, Germany, the Netherlands and Denmark.

Mr Adolfo Battaglia, the Italian president of the council, has written to fellow industry ministers complaining that Commission policy on state aid has been drawn up on a haphazard basis which has caused a high degree of uncertainty among member states, resulting in unnecessary conflict between the Commission and individual countries.

He complains that the Commission has taken no account of the broader industrial policy of the Community, nor the need to be competitive in certain sectors on a world level.

The attack, which is likely to be supported at least by the southern states and probably Belgium and France, comes as a reponse to a recent Commission initiative on policing state aid granted to nationalised industries.

The new approach, which was presented to officials from member states last month, would involve nationalised industries providing the Commission with regular information on all financial transactions between the government and the industry for all manufacturing businesses with an annual turnover of more than Ecu200m ($270m).

The plans were attacked by Mr Pierre Bérégevoy, the French finance minister, who last week told a conference of Europe's nationalised industries that the moves would give them a disadvantage against the private sector.

By constrast, Sir Leon has made it clear that the aim of the measures is to put public and private companies on a similar footing. He wants to have clear information on grants, soft loans, capital injections and dividend payments to and from governments to nationalised industries. In the private sector such transactions are already transparent.

Italy is by far the biggest donor of aid to industry and, according to the latest Commission survey of state aid, pays out 50 per cent more than the Commission average.

US calls for 90 per cent cut in farm export subsidies, Page 20

UN envoys struggle to reach compromise on Israel killings

By Robert Mauthner and Robert Graham in London and Ralph Atkins and Alison Smith in Bournemouth

DIPLOMATS at the United Nations in New York were last night desperately trying to work out a compromise formula to prevent the US vetoing a resolution condemning Israel for the killing of 21 Arabs in Jerusalem on Monday.

A three-day-old deadlock on the issue has underlined difficulties faced by the Bush administration in trying to balance its traditional backing of Israel with the need to accomodate its Arab allies aligned against Iraq.

Moderate Arab diplomats were yesterday already warning that the US risked being accused of applying double standards in its Middle East policy.

Disagreement within the UN Security Council does not centre on the specific condemnation of Israel for the action of its security forces. It concerns the proposed mandate and scope of a mission and a report which the majority of Council members want Mr Javier Pérez de Cuéllar, the UN Secretary-General, to organise on the situation of the Palestinians in Israeli-occupied territories.

On US insistence, the seven non-aligned countries on the council, all of whom support the Palestine Liberation Organisation, have dropped their demand to despatch a mission drawn from the Security Council to investigate Israel's treatment of Palestinians in the occupied territories.

They are reported to be prepared to accept that the Secretary-General should send his own emissaries. However, they are continuing to insist that the mission's report to Mr Pérez de Cuéllar should include recommendations for ensuring the safety and protection of the Palestinian inhabitants as well as of Islamic and Christian holy sites.

The US still refused to countenance such a broad mandate, arguing instead that the Secretary-General should present the council only with his conclusions about the situation of Palestinians under Israeli occupation.

Meanwhile, Mr Edward Heath, the former British Conservative prime minister, announced yesterday that he would fly to Baghdad via Amman today for a meeting with President Saddam Hussein to seek the release of sick British hostages in Iraq.

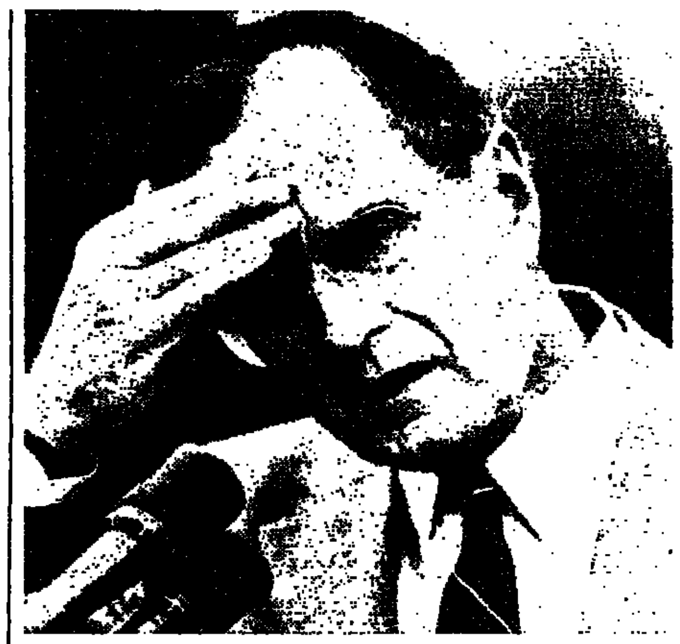
Mr Heath said at a news conference in the margin of the Conservative Party conference in Bournemouth, on the south coast of England, that his mission was purely humanitarian, but he is widely expected to explore ways of finding a peaceful solution to the Gulf crisis.

At the party conference, Mr Douglas Hurd, Britain's foreign secretary indicated that while Mr Heath had told him "some time ago" about his proposed mission to Baghdad, he was not going with the government's support. The government had consistently refused to negotiate with the Iraqi leader, Mr Hurd said.

"If you sit down around a table with Saddam Hussein you are rewarding aggression," the foreign secretary said. "It is not something we asked him to do."

Mr Hurd, who is due to leave for a week-long visit to Egypt, Israel and Greece today, told the conference that western

Continued on Page 20
The Gulf, Page 8



US President George Bush: rapidly becoming a laughing-stock

Bush adds to muddle over US tax changes

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush sought to clarify his position on tax changes as part of the US budget yesterday. However, he only added to the confusion after two days of contradictory statements which have seriously damaged his political standing.

Mr Bush's waverings have made an early US budget agreement less likely. Not only is he rapidly becoming a laughing-stock over the issue but he is also in danger of surrendering the initiative to the Democrat leaders of Congress who will seek to push through an increase in the top tax rate.

The uncertainty is about whether the White House will accept a trade-off between a cut in capital gains tax and an increase in the top marginal income tax rate. On Tuesday, Mr Bush first said a "proper balance" between the two would be acceptable. Later he was convinced by Senate Republicans that this was not achievable, while on Wednesday he added to the confusion, saying Congress should "clear it up."

Yesterday Mr Bush met House Republicans. Afterwards, Mr Bill Archer, the senior Republican on the House ways and means committee, said Mr Bush was willing to raise the top marginal income tax rate from 28 per cent to 31 per cent if the capital gains tax rate was reduced to 15 per cent. Capital gains

Continued on Page 20
Budget may hit Republican vote, Page 7

Banks to decide Polly Peck's fate

By David Barchard in Ankara and Richard Waters, Clay Harris and David Lascelles in London

MR ASIL NADIR was trying last night to stave off the growing threat that administrators will be appointed at Polly Peck International. The company's fate will be decided today by a meeting of more than 60 creditor banks in London.

To avoid administration – an insolvency procedure which would lead to the break-up of the group – Mr Nadir will need to produce firm evidence that he has raised enough cash to bridge the company's £200m ($394m) liquidity gap over the next three months.

Mr Nadir, chairman of the fruit trading and consumer electronics group, who has been in Istanbul trying to conclude asset disposals, is planning to be in London for today's meeting.

He will face a sceptical audience. Bankers and their representatives indicated yesterday that vague promises of future disposals – made by Mr Nadir at a meeting last Friday – would not be enough to persuade them to support Polly Peck.

One said: "There is a great deal of concern. He has to come up with something concrete. His credibility is not high at the moment."

In Istanbul, Mr Hušnu Ozyegin, chairman of Finansbank, was said to be approaching potential buyers for Polly Peck's Turkish subsidiaries in an effort to raise cash.

However, Çukurova Group, a Turkish industrial conglomerate which had been tipped as a potential purchaser, last night ruled itself out of the bidding for Vestel, Polly Peck's Turkish electronics subsidiary, or any other business.

"We are not interested because we do not have the resources," said Mr Mehmet Emin Karamehmet, Çukurova's chairman.

No other likely Turkish buyers appeared to be in prospect. Turkey's two largest conglomerates, Koç and Sabanci, repeated yesterday they were not interested in buying from Mr Nadir.

In London, a meeting of the steering committee of 10 banks appointed last Friday broke up last night without having received any firm indication from Mr Nadir that he had raised any cash. He is understood to have indicated to them earlier in the day that

Continued on Page 20
Polly Peck affair, Page 26

Chemical Bank cuts dividend by 63%, declares $43m loss

By Alan Friedman in New York

CHEMICAL BANK, the seventh-largest US bank, yesterday slashed its third-quarter dividend by 63 per cent, revealed a $250m bad debt provision and said it suffered a loss of $43.7m, or 69 cents a share.

The dividend reduction, from 68 cents down to 25 cents, represents the bank's first dividend cut since the 1930s and comes in the wake of the recent halving by Chase Manhattan of its third-quarter dividend. It is widely seen in New York as a harbinger of things to come in US banking.

Mr Walter Shipley, chairman of Chemical, said the primary motivation behind the dividend cut "is to build equity capital rapidly". He said uncertainty in the US economy meant "we are heading for a rocky period". The dividend cut was therefore "a conservative approach in a difficult environment".

Mr Shipley said a sizeable part of the $250m of new provisions for loan losses were linked to problems in the commercial real estate market, which he said was unlikely to recover during 1991. Chemical also said it expected loan loss provisions in the fourth quarter to be in the range of $100m to $125m.

In addition to the bad debt provisions Chemical said it was taking a charge of $18.8m to establish a reserve for its previously announced exit from its international securities trading business in Switzerland and Japan.

Unlike Chase, which has announced plans to reduce its workforce by 12 per cent, Chemical has already slimmed its workforce substantially. In the past three years Chemical's staff numbers have fallen from by 4,000 to 27,000 people.

On Wall Street, Chemical's share price was immediately marked down by $1, to $13 7/8. Analysts are now focusing on next week's expected third-quarter results from Citicorp, which has been hard hit by the property crisis.

Mr Jim McDermott of Keefe Bruyette said the Chase and Chemical dividend cuts suggest "the entire industry's dividend policy may have to be viewed in a different light". He said he expected more of the same from other big US banks.

Chemical's third-quarter loss compared to a much larger $824.6m loss in the same quarter of 1989, but that was caused by heavy Third World debt provisions. The 1990 third-quarter results included $22.9m of earnings from Chemical's Texas Commerce Bankshares subsidiary.

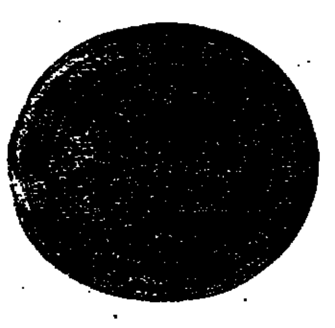
Chemical's total non-performing assets rose by $186m since last June 30 to stand at $3.185bn at the end of the third quarter. Excluding the bank's loans to nations engaged in debt rescheduling, non-performing loans increased by $222m to $1.7bn in the third quarter.

Mr Shipley stressed that Chemical's Tier 1 capital ratio – the prime capital ratio – stands at 4.7 per cent, in excess of the minimum 4 per cent regulatory guideline. But he said that "capital is king right now and we decided the most efficient way to raise capital is to retain earnings".

Weekend FT

Tomorrow: Silver hoard surrounded by international smuggling claims

European resistance: Churchill's secret agenda



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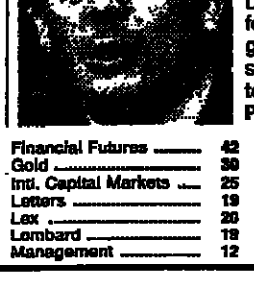
The Spanish wizard bedevilling Delors and his plans for Emu



Mr Carlos Solchaga Catalan, Spain's stubborn and diminutive finance minister and a thorn in Jacques Delors' side, has found himself the instigator of an EC consensus on how to proceed to stage two of Emu

Page 2

MARKETS

STERLING
New York lunchtime:
$1.9705
London:
$1.965 (1.9680)
DM3.01 (3.0075)
FFr10.08 (10.0675)
SFr2.535 (2.5125)
Y255.25 (255.75)
£ index 96.1 (96.2)

GOLD
New York: Comex Dec
$393.6
London:
$389.75 (391.25)

N SEA OIL (Argus)
Brent 15-day Nov
$40.90 (40.10)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.5215
FFr5.1065
SFr1.2855
Y129.7
London:
DM1.532 (1.528)
FFr5.13 (5.115)
SFr1.29 (1.277)
Y129.9 (130.00)
$ index 61.0 (60.8)
Tokyo close: Y129.70

US lunchtime rates
Fed Funds $7\frac{13}{16}$%
3-mo Treasury Bills:
yield: 7.34%
Long Bond:
$97\frac{1}{32}$
yield: 9.024%

STOCK INDICES
FT-SE 100:
2,102.2 (-19.6)
FT Ordinary:
1,618.9 (-7.8)
FT-A All-Share:
1,013.99 (-0.7%)
New York lunchtime:
DJ Ind. Av.
2,373.51 (-34.4)
S&P Comp
296.29 (-4.1)
Tokyo: Nikkei
22,585.63 (-909.48)

LONDON MONEY
3-month interbank:
closing $13\frac{5}{8}$% ($13\frac{11}{16}$)
Liffe long gilt future:
Dec $84\frac{13}{32}$ ($84\frac{12}{32}$)

Turkey heads for crisis as workers seek five-fold rise

By John Murray Brown in Ankara

TURKISH employers meet in Ankara today in a bid to head off industrial action threatened by 800,000 private sector workers.

With monthly inflation now over 8 per cent and rising, industrialists seem set on a collision course with the unions demanding wage increases of up to 500 per cent.

Generous pay offers to cement workers, on strike earlier this year, have paved the way for today's high demands. Union leaders describe it as the worst crisis since the labour unrest which followed the military coup in 1980.

In Turkey strikes are illegal for public sector workers and those in strategic industries like coal, but already in the first seven months of this year more than 1.2m working days have been lost through strike action.

Inflation, not unnaturally, is the national obsession. If the Gulf crisis is the immediate cause, with domestic oil prices up by over 80 per cent, underlying reasons go deeper.

In the latest OECD report, spiralling wage demands and the budget deficit were cited as the principal culprits. Despite moves to privatise some state enterprises, the public sector borrowing requirement is set to hit Turkish Lira 15,000bn, or 5.3 per cent of GDP.

Union leaders concede that the current wage round could fuel even higher inflationary expectations. Mr Sevket Yilmaz, leader of the largest trade union federation with 2m members said strike action was unavoidable if the negotiations remained deadlocked. Under Turkish labour law, unions and employers have 60 days to conclude a new two-year collective bargaining agreement. If that fails, the process goes to arbitration.

"That's the legal way," said Mr Yilmaz. "There are also illegal ways. We can stage protests, we can slow down production, we can even refuse to shave our beards" – the traditional gesture of the Turkish radical.

In the last week, talks with both the textile and coal unions have broken down, affecting 125,000 workers. Textiles is Turkey's most important industry, with exports last year worth $3.5bn. The textile union is seeking a net monthly wage of TL 1.5m in the first year, plus a 50 per cent inflation-linked increase in the second year.

The average monthly wage for a textile worker is currently around TL 300,000. According to one industrialist yesterday, the union demands would amount to giving the entire Turkish national income to just 3.5m people.

Greenpeace in waste plea

By Tim Dickson in Brussels

GREENPEACE, the environmental campaign group, warned yesterday that the dumping of toxic wastes was now an urgent east-west problem as well as a "north-south" issue.

Launching an alarming 45-page report on the volume of hazardous waste flowing into Poland from west Europe, Greenpeace called on the EC for a full ban on such trade.

"Despite the quieting of scandals in Africa and other third world countries, the exploitation of poorer economies by the dumping of hazardous wastes is, unfortunately, still alive and prospering," said Mr Ernst Klatte, a Greenpeace lobbyist.

The report on Poland documents 64 known trade schemes from 13 countries involving 22m tonnes of waste. Of that total, Greenpeace says, more than 46,000 tonnes of toxic waste arrived over the past year from exporting countries which include the West Germany, Austria and Sweden.

Greenpeace admits it is tempting for east European authorities to accept this sort of offer because of the money, but claims the real responsibility lies with producers.

Battle rages on speed of EC monetary union

By David Buchan in Strasbourg

LIKE the battle between Little-enders and Big-enders in Gulliver's Travels, member states of the European Community are embroiled in a ferocious struggle, the final outcome of which is likely to be decided by much larger forces than mere argument.

The battle concerns the EC's debate about forming itself into an economic and monetary union (Emu).

The conflict concerns the date and/or criteria for the EC to move from the present stage one (focused on the European Monetary System) to a stage two. The comedy is that there has yet to be any real discussion, let alone agreement, on what that stage two should contain.

There are two reasons why this potentially momentous debate should focus on the seemingly mechanistic issue of timing. The first is that time is hanging rather heavy on the hands of some people.

Some Big-enders, the hard core of Emu enthusiasts – France, Italy, Belgium, and the European Commission – are itching to get stuck into the Emu-creating treaty negotiations which will only start this December. Unlike the remarkably speedy negotiation of the European Single Act five years ago, it has been over a year since the EC Madrid summit fired the starting pistol on Emu.

In this interlude, Emu enthusiasts have sought to use every external factor, such as German unity and the Gulf crisis, as extra weight on the accelerator. In doing so, they have incurred surprise gains and losses in their group.

Denmark now unreservedly favours Emu as a counterweight to an enlarged Germany; but after the Brussels Commission suggested in August that the EC move into a second stage with new institutions as early as January 1993, Spain baulked.

Indeed the Spanish compromise call last month to delay stage two until 1994 seemed to wake a number of countries from their apparent sleepwalk straight into Emu.

Two key countries – Germany and the Netherlands – had never fallen into any Emu-induced trance. The German finance ministry and Bundesbank are in particular now banging with growing force the "economic convergence" drum.

Echoed from the sidelines by Mr John Major, the UK chancellor (who still stands apart on Emu from his fellows because of his leader's rooted opposition to a single currency), these two German institutions argue that monetary union will be built on sand, if the economic performances of the Twelve do not first come together.

Such a process cannot be forced by setting artificial dates, they say. The second reason for the current focus on timing is that much else is agreed, though only in the most general terms. Many of the concepts of the Delors committee's report, like the need for central bank independence and the undesirability of any Community bail-out of feckless individual governments, will be part of the general vocabulary of any Emu treaty.

But refining general terms into precise treaty language, on how soon the existing EC Central Bank Governors' Committee might be turned into the planned Eurofed and how exactly the latter is accountable to the Council of Ministers and the European Parliament, requires governments to lay their cards on the table. And that they will not do until the December conference forces them to.

So, the only near-deal likely to emerge before December is that on timing, centred on plans by Spain and the Netherlands.

They both call for a January 1, 1994 transition to a stage two, provided all currencies are within the exchange rate mechanism, national central banks are made independent by law, and all means of compulsory financing of public deficits, such as controls on capital movements or pension fund investments, are repealed.

These yardsticks were this week hailed by Mr Philippe Maystadt, the Belgian finance minister, and Mr Jacques Delors, the European Commission president, as being simple to verify. To their relief, the economic criteria, on which it would be far harder to get agreement, are under the Spanish and Dutch plans the yardsticks for moving finally to a single currency.

These more important but more woolly criteria include convergence on "sufficiently low" inflation, no "excessive" budget deficits, and "virtual harmonisation" of interest rates. Mr Delors has described efforts to define such criteria as like trying to determine the sex of angels, a once-thorny issue only slightly less abstruse than the battle for Emu.

Spanish wizard bedevilling Delors

By Peter Bruce in Madrid

IN SPAIN, cartoonists draw him as a conniving wizard buzzing about the head of Prime Minister Felipe Gonzalez. In Brussels, Mr Jacques Delors, the European Commission president, would probably draw him as the devil.

In fact, Mr Carlos Solchaga Catalan, the Spanish Finance Minister, is a chronically cheery man who glides through controversy with no visible means of support other than a lot of cigarettes.

And for a minister whose economy may be coming off the boil a little too rapidly as oil price rises halt the fall in inflation and quicken the slowdown in output, Mr Solchaga has been having a wonderful week.

First, Britain joined the exchange rate mechanism of the European Monetary System in the same wide 6 per cent fluctuation band that Spain occupies. That means he has an important ally, now credibly locked into the EC's monetary union process, but with even worse inflation.

Second, Mr Solchaga has suddenly found himself the instigator of a remarkable consensus on how to proceed to the tricky second phase of the Delors report on monetary union. If the inter-governmental conference (IGC) in Rome in December succeeds in changing the Treaty of Rome to permit monetary union, it will in no small way have been because of this diminutive and stubborn Navarese.

It started in Rome on September 8, at an informal meeting of EC finance ministers, soon after Mr Delors had suggested phase two should begin quickly, in January 1993. The British had angered Mr Delors by proposing a "hard" European Currency Unit alongside existing national currencies.

Mr Solchaga was the first minister to stick his neck out and begin a now very public debate in the run-up to the IGC in Rome. Phase two should start in 1994, he said, and Britain's hard Ecu and European Monetary Fund would be useful as "practice" runs towards a single currency and a central European bank.

Mr Delors accused Spain of trying to delay EMU because its troubled economy could no longer rapidly "converge" with German or French inflation levels. But the ideas began to take hold. The Dutch and Germans produced similar plans. At the end of the formal finance ministers' meeting in Luxembourg last Monday, agreement on 1994 was almost unanimous. The British had even agreed their hard Ecu might become a single currency.

Mr Solchaga says he was merely trying to avoid a two-speed EMU. Compromise is revered in Spain. The last time its leaders failed to find one, the ensuing Civil War took a million lives.

Mr Solchaga, 46, is an ambitious and seasoned practitioner of the art. Mr Gonzalez trusts him, despite rumours about his impending demise because he has dared to challenge, indirectly, the power of the deputy Prime Minister, Mr Alfonso Guerra. He is one of the few people who joined Mr Gonzalez' first cabinet in 1982, initially as Industry Minister, and is still in it.

He has been given control of attempts to patch up relations with Spain's two big and combative trade unions, and he has little trouble dismissing critics who say his budget cuts for next year are cowardly and that his 5 per cent inflation target for next year is too optimistic. "What is important is that I believe in it," he said recently. A graduate of the Massachusetts Institute of Technology who has spent much of his life in economic research, he is never lost for detail on even the most obscure aspects of policy.

Spanish finance ministers are always villains of the piece and he will not make many friends next year as he tries to hold interest rates high and wages down in order to get his free-spending countrymen to face up to the fact that Spain's four-year fiesta is over.

Stockholm appeals for restraint on pay claims

By John Burton in Stockholm

MR Allan Larsson, the Swedish Finance Minister, yesterday called for national wage restraint, against a background of government predictions that the country will enter a period of stagflation next year.

In a statement to parliament outlining economic policy for the next year Mr Larsson said that the Social Democratic government would accept a rise in unemployment above the current rate of 1.5 per cent in order to fight the country's chronic wage-push inflation, which he says could reach 11 per cent this year.

The government expects gross national product (GNP) growth to amount to 0.8 per cent in 1990.

However, it says this figure could decline by 0.2 per cent next year if wage growth exceeds 4 per cent – fuelling a 10 per cent inflation rate, which would further harm Sweden's competitiveness.

Mr Larsson has ruled out a krona devaluation as a way to restore growth.

He said yesterday that Sweden could join the European Monetary System in the future, although the "EMS is not open to us today."

A government-appointed mediator has proposed that trade unions and employers sign a multi-year wage pact to stabilise the labour market when the centralised national pay agreement comes up for renewal next year.

Mr Larsson says the government would prefer voluntary wage restraint and would not try to impose an official ceiling on wages.

In February government efforts to impose a wage and price freeze and a strike ban caused a political crisis and the resignation of Mr Larsson's predecessor, Mr Kjell-Olof Feldt.

Mr Larsson yesterday said the government would pursue public sector reforms to make it more efficient and to prepare for further tax cuts.

Growth in spending for local authorities, which provide most social services, would be limited to 1 per cent.

Lure of all things western extends even to politicians

Kohl dominates east German election campaign

By Leslie Colitt in Berlin

FROM the Baltic Sea to Saxony in the south, Chancellor Helmut Kohl's bulky frame, in person or on posters, has dominated the campaign for next Sunday's election to east Germany's five resurrected Länder.

The German leader was fighting to repeat the remarkable personal victory he won last March for the Christian Democrats (CDU) in former East Germany's first free election.

The difference this time, however, was that he was campaigning in what had become an economic disaster area, with the threat of mass unemployment this winter. Mr Kohl was banking on support from east Germans who said they would vote for him again so that he could "redeem" his pledge to bring them jobs and prosperity.

Wherever the chancellor appeared, the rival Social Democrats (SPD) fielded one of their stars: Mr Willy Brandt, the former chancellor, or Mr Oskar Lafontaine, the Saarland prime minister, who faces heavy odds in his bid to defeat the "Chancellor of Unity" in the December 2 national elections.

West German politicians are standing for prime minister in nearly all the eastern Länder,

Ashley Ashwood

Roadside election posters: western politicians are standing in nearly all eastern Länder

reflecting the dearth in home-grown political talent. Far from resenting the intrusion, east Germans appeared to prefer western imports to their own fledgling crop. "At least they're not tainted," said a woman in Saxony. The contest there pitted Mr Kurt Biedenkopf, the CDU candidate, against the SPD's Ms Anke Fuchs.

The professorial Mr Biedenkopf, lauded in Saxony by the chancellor who had removed him from the party leadership, was strongly favoured to win his first popular election.

Where east German politicians are seeking the prime ministership, as in Brandenburg, the Prussian heartland surrounding Berlin, the result has been more admiration than confrontation. Mr Manfred Stolpe, the Protestant Church lawyer standing for the SPD, and Mr Peter-Michael Diestel, the former CDU interior minister of East Germany and a lawyer, avoided any hint of rivalry in their public appearances, as befitted long-time colleagues.

Mr Stolpe's strongest remark in a debate with Mr Diestel was to agree that the market economy would be working in east Germany within five years but that he did not believe in the self-healing properties of the market.

After touring a big starch factory in Kyritz, north-east of Berlin, Mr Stolpe took pains not to appear too pessimistic, although his aides noted that the ramshackle factory could not survive and that farms in the region had little future. The SPD is clearly anxious to avoid anything which might add to the widespread atmosphere of doom and gloom.

Both the SPD and the CDU are resigned to some form of coalition in Brandenburg, where voter interest in the election campaign, as in the other four Länder, has been low. This is the third election this year for east Germans, with a fourth to come in December, and the SPD fears a poor turnout will lead to another win for the chancellor.

Treuhand's estimate of credit needs by 1992 rises to DM35bn

By David Goodhart in Bonn

THE credit needs of the Treuhand, the body charged with privatising East German industry, are likely to reach DM35bn (£11.5bn) by the end of 1991, DM10bn more than envisaged in the unity treaty between the two Germanys.

Mr Detlev Rohwedder, the Treuhand chief executive, told the Bundestag budget committee this week that he would need DM12bn this year and a further DM23bn next year.

He estimated that for next year he would need DM7.3bn to pay interest on the old debt carried by East German companies, DM3.8bn for interest on East Germany's state debt, DM4bn to cover Treuhand-backed liquidity credits that companies cannot repay, and DM8.2bn in interest on the Treuhand's own restructuring credits.

Meanwhile, West German industry has agreed in principle to lend to the Treuhand 100 managers to take over leading positions in East German industry. The pledge was made at a gathering of industrialists organised this week by the government in Bonn.

● Mercedes Benz plans to build a DM1bn truck plant in Ludwigsfelde in east Germany, the first big investment agreed with the Treuhand, Reuter reports from Berlin.

The assembly plant, to be completed by 1994, will produce up to 40,000 trucks a year, mainly for the east European market, said Mr Werner Niefer, Mercedes chairman.

The Treuhand has struck a co-operation agreement with Mercedes Benz and the east German truck combine IFA-Automobilwerk. A new Treuhand company will use IFA's existing factories to assemble Mercedes trucks until the plant is built, Mr Niefer said. Mercedes will take 25 per cent of the company from 1992.

DM2bn aid for Moscow prepared

By Katharine Campbell in Frankfurt

THE first tranche of aid to the Soviet Union agreed between Bonn and Moscow, in the bilateral co-operation treaty initialled last month, was yesterday being put together by a consortium of German banks.

The interest-free loan, carrying a 95 per cent government guarantee, represents yet another call on Bonn's already strapped finances, as it struggles with the continually mounting costs of German unification.

The DM2bn (£600m) five-year credit to the Soviet Bank of Foreign Economic Affairs represents the first part of the loan promised to help fund the cost of keeping Soviet troops on former East German soil for the next four years.

The credit is lead-managed by West LB, the biggest of the German public sector Landesbanks.

In the agreement, Bonn said it would pay DM12bn for the repatriation of Soviet troops at the end of the four-year period, with an additional DM3bn interest-free loan for the costs incurred in the interim. The other DM1bn is expected to be paid over next year.

As it is an interest-free loan, the banks receive the coupon payments from Bonn, set at 20 basis points over the six-month London interbank offered rate. This represents a considerably more generous margin than they would normally receive on federal government debt.

Italian communists plant party puzzle

By John Wyles in Rome

PARTITO Democratico della Sinistra (Democratic Party of the Left) is not yet a name which trips off the Italian lips.

But as Italians were seeking yesterday to adjust to this new political birth they were asking: "Does it bury the old Communist Party, or is it inspired by it?"

When Mr Achille Occhetto, the leader of the Italian Communist Party (PCI), announced on Wednesday night the new name with which he had chosen to relaunch Europe's largest surviving Communist Party, he also revealed its new symbol: a large oak tree beneath which sits the red star, the hammer and sickle and the initials P(artito) C(omunista) I(taliano).

As it was meant to, the emblem reflects the divisions which have opened up in the PCI since Mr Occhetto announced nearly a year ago that it must be relaunched under a new name and with a broader basis of social support.

One third of the party, for whom the old symbols have been retained, has been against the entire exercise, still glorying in the name Communist, still anti-American, anti-defence and rhetorically anti-capitalist.

Mr Occhetto's two thirds however, contain those susceptible to the emotional and dated attitudes of the left as well as those wishing to embrace social democracy and an alliance with Mr Bettino Craxi's Socialist Party.

The party leader has now planted his tree to the left of his own support, while still failing to answer the question of whether it is rooted in the old party and will closely resemble it, or whether the PCI is being buried beneath it, with symbols which will be dropped from the emblem in only a matter of time.

The one word which Mr Occhetto appeared deliberately to eschew for the new name was "socialist", although he did identify the new party with "the Italian Socialist tradition" on Wednesday.

The PCI's most illustrious apologist, Mr Eugenio Scalfari, the editor of La Repubblica, justified this yesterday with the assertion that "a party born today which calls itself socialist would be born already old".

Nevertheless, this new Italian party is desperate for the seal of approval which would be conferred by membership of the International Socialists.

It also needs an alliance with Mr Craxi's Socialists if unity of the left is ever to reach Italy.

But Mr Craxi did close down one alternative name for Mr Occhetto last week when he rechristened his party United Socialists – P(artito) S(ocialista) I(taliano).

International mediation hint for Yugoslavia

By Laura Silber in Ljubljana

THE prime minister of the republic of Slovenia, Mr Lojze Peterle, yesterday raised the possibility that Yugoslavia's problems could be settled by international mediation.

"A violent break-up of Yugoslavia is possible," he said, adding that Slovenia would welcome "international peacekeeping forces in order to avoid possible bloodshed".

Armed conflict broke out in Croatia after the republic's 600,000-strong Serbian minority declared autonomy on October 1 and vigilante groups sealed off several Croat towns.

Slovenia has already taken steps to distance itself from the embattled Yugoslav federation. The republic's government plans to host a conference of foreign ministers from the Yugoslav republic, the Baltic republics, Bavaria and Slovakia in January to strengthen Slovenia's international ties.

Slovenia is at loggerheads with Serbia, the biggest republic, over Slovene support for a confederation instead of the present Yugoslav federation.

Serbia has said the country's internal borders will not be legal if the federation falls apart. Yet despite increasing threats from Serbia, Slovene leaders said they would forge ahead with plans for a confederation, which they see as the only alternative to secession.

"Slovenia is not separatist, but we have the impression that certain forces in Yugoslavia are driving Slovenia to secession," said Mr Peterle.

Slovenia and Croatia last week unveiled their plan for a "confederation", a union of sovereign states. The proposal outlines a confederation based on the common interest, basically economic, of the member states, but also includes defence and frontier security.

Bulgarian PM urges support for reforms

BULGARIA'S Socialist prime minister, Mr Andrei Lukanov, yesterday urged all political parties to back his economic reform programme as a "last chance" to avert a national tragedy, AP reports from Sofia.

The programme provides for a transition to a market economy and privatisation of industry, and was submitted to parliament on Wednesday.

The International Monetary Fund, which Bulgaria joined last month, has made assistance to Bulgaria conditional on parliamentary acceptance of the programme. Mr Lukanov's plan emphasises a new monetary, credit and banking system and competition.

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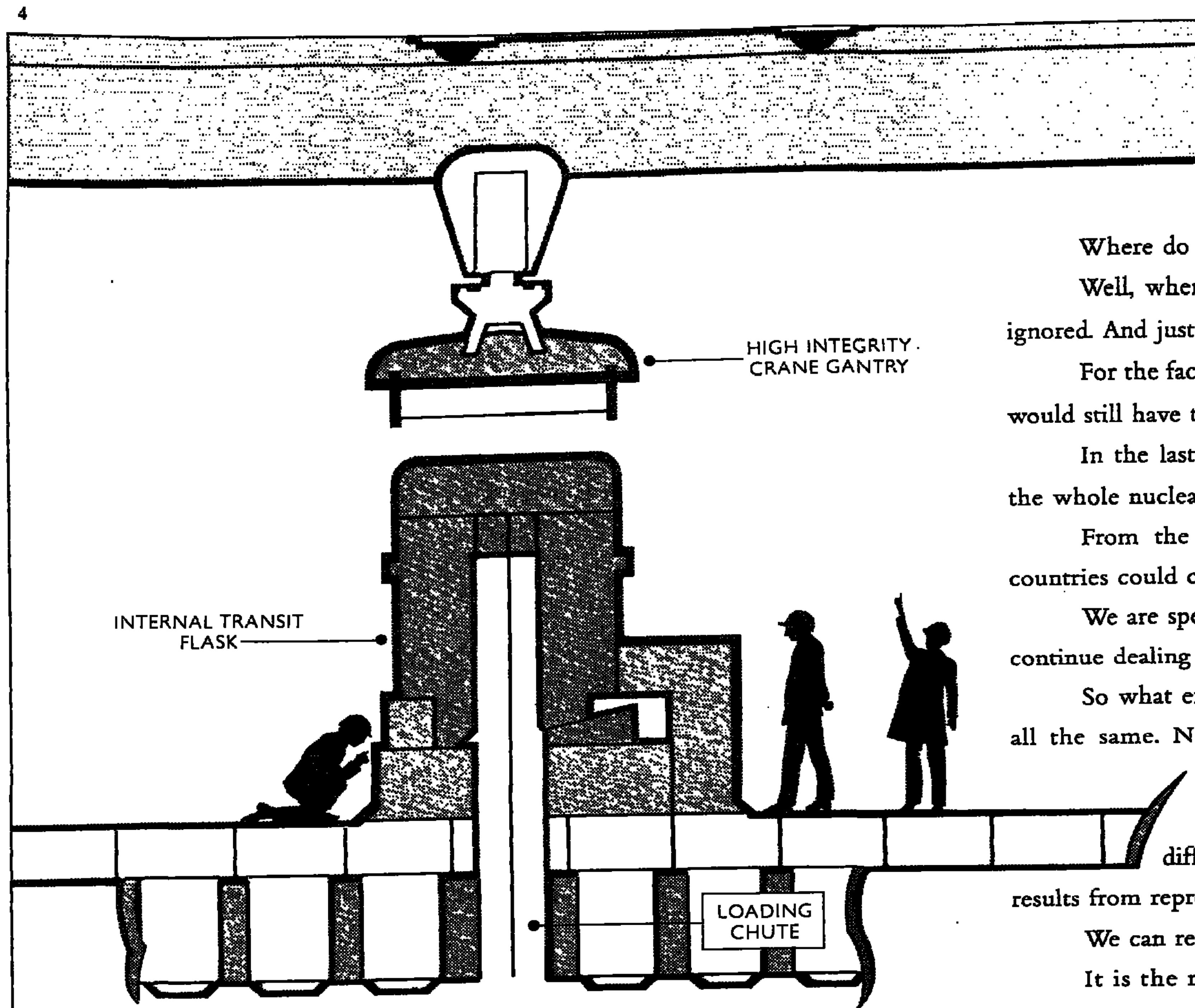


Where do you stand on nuclear power?

Well, wherever it is, one thing is for sure. Nuclear waste cannot be ignored. And just like the issue, it's unlikely to go away.

For the fact is, even if nuclear energy production ceased tomorrow, we would still have to deal with waste that has been produced in the past.

In the last 30 years, British Nuclear Fuels has been concerned with the whole nuclear fuel cycle.

From the manufacture of fuel to the management of waste. Few countries could challenge the experience we have.

We are spending over £2 billion on a programme which allows us to continue dealing safely with nuclear waste.

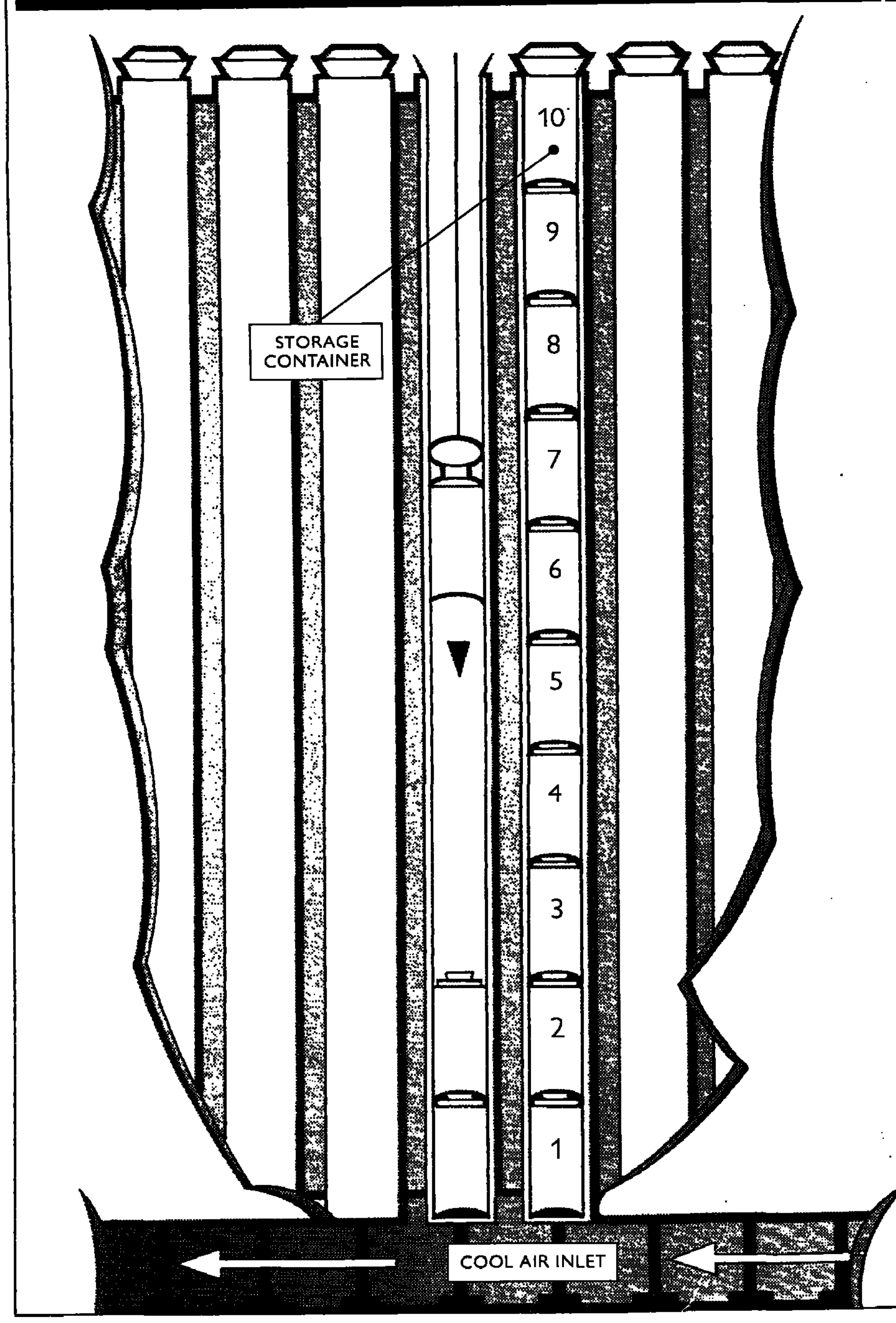
So what exactly is nuclear waste? A major misconception is that it is all the same. Not true. In fact, it falls into three distinct types which emit varying intensities of radiation.

Consequently, they are dealt with in completely different ways. The most radioactive is *High Level Waste,* which results from reprocessing spent nuclear fuel.

We can recycle at least 97% of spent fuel into new fuel.

It is the remaining 3% waste that must be carefully dealt with.

NUCLEAR WASTE CAN BE CONTAINED. THE ISSUE CANNOT.



At present, high level waste is stored as a liquid inside double-walled, cooled stainless steel tanks enclosed in thick concrete walls.

However, we have brought into operation a process called 'vitrification', in which liquid waste is converted into glass and sealed inside stainless steel containers to be kept safe for the indefinite future.

This method reduces the waste to ⅓ of its original volume.

Or, to look at it another way, all the high level waste produced at Sellafield in the last 30 years could be contained in just 4 double-decker buses.

A far less radioactive type of nuclear waste, known as *Intermediate Level Waste,* occurs when the nuclear fuel rods are stripped in the first mechanical stage of reprocessing.

The scrap metal, sludge, and residues that are involved in this operation are sealed in cement inside steel drums, and stored in our special encapsulation plant until a suitable long-term home has been found.

At the moment, sites at Sellafield and at Dounreay in Scotland are under scrutiny from geologists to see whether either is suitable for a deep underground repository.

The least radioactive waste of all is *Low Level Waste,* such as paper towels, gloves, protective clothing and laboratory equipment which not only come from the nuclear industry but from hospitals, research laboratories and other industries where radioactive materials are handled.

Despite the fact that radiation from low level waste is negligible, we take no chances.

At Drigg in Cumbria, we've built and use a concrete vault the size of 12 football pitches, and we are developing a method of compacting this type of waste, which means Drigg won't be full until well into the 21st Century.

If you'd like to know more about the way we manage nuclear waste write to Information Services, Risley, Warrington WA3 6AS for our nuclear waste brochure, or our video.

Better still why not come and visit us at the Sellafield Visitors Centre. Because, anything you want to know about waste management is contained within it.

BRITISH NUCLEAR FUELS

Managing waste at Sellafield.

AMERICAN NEWS

Bush's handling of budget may hit Republican vote

By Lionel Barber in Washington

SUPPORT for Republican candidates in this year's mid-term elections is collapsing as a result of President George Bush's erratic handling of the budget talks, party officials said yesterday.

After more ambiguous statements from the White House on taxes and further signs of a growing split between the conservative and moderate wings of the party, Republican strategists conceded they were close to despair. "We're in a free fall," said one top official.

Mr Gary Koops, a spokesman for the national Republican congressional committee, responsible for campaign tactics, said the party's instruction to candidates in the field was: be consistent. "We've said there is nothing worse than changing your position."

Mr Koops agreed Mr Bush's verbal acrobatics on capital gains, income taxes for the rich and other budget issues had not set a good example. But he pointed out that the president's desire during the budget talks to place the national interest ahead of the party's was largely to blame.

Other officials were less charitable, arguing that Mr Bush's "waffling" on income taxes risked exposing the party to charges that it was protecting the wealthy at the expense of the middle class. Moreover, the president's indecision and uncertainty was creating an image of a rudderless administration.

Mr Koops said all recent polls showed rising concern among voters about the direction of the country. The most disturbing signs suggested considerable voter apathy bordering on resentment which – if not properly channelled – could reduce turn-out. "We're losing support in our party base – the 18-35 year olds, the Reagan base."

Strategists such as Mr Ed Rollins, head of the Republican congressional campaign committee, had hoped to capitalise on voter apathy by running a populist, anti-incumbent campaign against Washington, where the Democrats have majorities in the House and Senate.

This was supposed to pave the way for an onslaught in 1992 – when Mr Bush faces re-election.

The Rollins approach never won favour with the White House, where Mr Bush has always favoured a more conciliatory approach with the Democrat majority. Until the budget fiasco, Mr Bush's style appeared to work well.

The collapse in the president's approval rating – down by between 15 and 20 points in recent polls – further contributes to tensions within the Republican Party.

Prosecutors allege stock price manipulation by Milken

By Nikki Tait in New York

MR Michael Milken, former head of the junk bond department at Drexel Burnham Lambert, the defunct US investment bank, was yesterday accused of manipulating stock prices in order to earn fees for Drexel.

On the opening day of a "mini trial" to consider fresh government allegations against him, prosecution lawyers outlined their case against Mr Milken concerning shares in Wickes, a home products company which became a Drexel client in the mid-1980s.

The Manhattan hearing forms part of the process of sentencing Mr Milken, who has already pleaded guilty to six charges related to securities law violations and has agreed to pay $600m (£304.5m) in fines and restitution.

However, the government alleges Mr Milken's admitted wrong-doing was part of a much larger pattern of misdemeanours by him and Drexel, which went into bankruptcy this year. Because one of the charges to which he has pleaded guilty is a broad conspiracy charge, the prosecution claims that evidence of this alleged misconduct needs to be considered in arriving at an appropriate sentence.

Judge Kimba Wood, who will deliver the sentence, has said the aim of the hearing should be to shed light on Mr Milken's character.

Mr John Carroll, for the government, claimed yesterday that in April 1986 Wickes was trying to retire some expensive preferred stock. To force shareholders to swap into lower yielding common stock, it was necessary for the Wickes share price to be at or above $6¼ for a certain number of days.

Accordingly, he alleged, Drexel – with the help of Mr Ivan Boesky, the convicted insider trader – manipulated the market to achieve this.

Drexel, said Mr Carroll, eventually won $118m of fees from Wickes. Mr Carroll claimed: "There was manipulation. Mike Milken was behind that manipulation. No one else at Drexel had the means."

That brought an impassioned response from Mr Arthur Liman, Mr Milken's lawyer. Conceding that the defence did not deny there had been stock manipulation in Wickes by Mr Boesky and Drexel, he claimed Mr Milken was not responsible for what had happened.

"The issue here is what is my client's responsibility," he said. "You will never hear from anyone at Wickes that they asked my client to manipulate Wickes' stock price."

In theory Mr Milken could be jailed for 28 years, although his lawyers have asked for as little as a community service sentence.

Many of the government's allegations centre on the relationship between Milken/Drexel and Mr Boesky. Mr Boesky's name headed the list of potential government witnesses for the mini-trial, although it remains unclear whether he will be called.

Mexican novelist awarded Nobel literature prize

By Robert Graham

Mr Octavio Paz, Mexico's most versatile poet, essayist and novelist, yesterday won the Nobel Prize for literature after several years waiting for the award.

The 76-year-old writer is the first Mexican to be awarded the prize, but he follows a line of hispanic authors such as last year's winner, Spanish novelist Camilo José Cela, and Colombia's Gabriel Garcia Marquez, who won in 1982.

The Swedish Academy of Letters said the $700,000 award was for his "impassioned writing with wide horizons, characterised by sensuous intelligence and humanistic integrity".

When contacted at a New York hotel by Reuters, Mr Paz said: "This is something very important for me and for Mexican and Spanish-American literature." He added: "This time it was a total surprise."

Mr Paz's closest contender for the award was believed to be his arch-rival and compatriot, Mr Carlos Fuentes.

Often considered a renaissance man in the breadth of his writing and intellectual curiosity, Mr Paz is best known for The Labyrinth of Solitude, a controversial and imaginative essay on Mexico and the Mexican pysche.

His writing has embraced art as well as religion and contemporary politics. His poems have been published in five major collections from 1949 onwards.

The fifth, Arbol Adentro (The Tree Inside), was published in 1987, breaking an 11-year silence.

Its publication came in a year which saw a major revival of Mexican poetry, with new books by several outstanding young poets, most of them published by Mr Paz's monthly magazine, Vuelta.

Magazines are perhaps the thread linking his literary career. He founded his first important magazine, Taller, in 1938 on his return from the Spanish Civil War, in which, like most writers of the time, his sympathies were engaged on the Republican side.

The son of a lawyer-politician committed to social reform, Mr Paz started off as a diplomat, eventually becoming Mexican ambassador to India in 1962 – a country whose culture was to have a profound influence on the author. In 1968 he resigned from the post after the October 2 "Tlatelolco massacre", when police fired on student demonstrators at the time of the Mexico Olympics.

In a region where the predominant trend among intellectuals is sympathy for marxism and the Cuban revolution, his own brand of disillusioned leftism often left him isolated. He has enjoyed an awkward status within Mexico, distanced from the ruling Institutional Revolutionary Party yet treated as a national cultural asset.

His image is still suffering from a bruising attack at a public conference at the end of August.

Then, Mr Mario Vargas Llosa, the Peruvian novelist and recently failed presidential candidate, commented sarcastically that Mexico was the only country in Latin America where the ruling regime had successfully co-opted intellectuals.

Octavio Paz: considered a renaissance man

White House sees 'slight' recession

A MEMBER of the Bush administration has admitted for the first time that the US economy could contract slightly, although a serious recession is not imminent, writes Peter Riddell, US Editor, in Washington.

Mr Robert Glauber, Treasury under-secretary for domestic finance, said in a Washington speech that the Gulf crisis would "undoubtedly lead to further slowing" in the economy and increase the possibility of "dipping into negative numbers". But he stressed the Treasury's view that "a meaningful recession was not on the horizon".

His comments come against a background of increasing pessimism among economists and a sharp drop in business confidence.

The Federal Reserve is remaining on the sidelines, awaiting the outcome of the present budget crisis.

The Washington Post newspaper reported yesterday that the Fed's policy-making Open Market Committee agreed last week to cut short-term interest rates by a quarter percentage point once the budget package became law. This is in line with general market expectations.

According to the report, the committee did not go along with a suggestion by Mr Alan Greenspan, the central bank's chairman, that it should also approve a second possible cut in interest rates linked to signs of further economic weakening.

In line with previous public comments, most of the committee expressed concern that a poorly timed cut could backfire if it increased investor concern about inflation.

Congress nearer law on clean air

PROSPECTS for the most far-reaching clean air legislation in the US for 13 years have been improved by a compromise on the contentious issue of car emission standards, writes Peter Riddell.

The legislation has been stuck in a Senate/House conference since late spring, following differences between environmentalists and manufacturing and utility interests. The aim is to pass the law before Congress goes into recess later this month.

Agreement has still to be reached on acid rain controls and cancer-causing emissions from factories, but yesterday Mr Boyden Gray, the White House counsel, said that while it was not certain the legislation would pass, "it's likely".

Significantly, Congressman John Dingell, leader of the House side in the conference and a strong defender of car industry interests from his home state of Michigan, has said he is "more confident now of getting a bill".

Under the plan, motor manufacturers will be required to install new anti-pollution equipment on tailpipes, starting with 1994 models, with a further round of tightening on 2003 models. Cars would have to emit 60 per cent less nitrogen oxide and 40 per cent fewer hydrocarbons

To reduce carbon dioxide emissions from cars, service stations in the 40 smoggiest US cities will have to offer fuels with an oxygen content of 2.7 per cent, from November 1992.

This programme will apply for four months during the winter when carbon monoxide levels have the largest build-up.

Guerin avoids trial on arms charges

By Thomas Flannery in Lancaster, Pennsylvania

MR JAMES GUERIN, the man at the centre of the Ferranti International arms contract scandal, has entered into a plea agreement with federal prosecutors in Philadelphia.

The agreement – which allows Mr Guerin to avoid a trial on charges of illegal arms sales, money laundering and securities fraud – has come to light following the discovery of land records obtained in Naples, Florida, where Mr Guerin lives.

The document reveals the existence of a plea agreement, which has not yet been made public. Under a key clause of the agreement, Mr Guerin has agreed to sell his Florida home and pay the US government $600,000 (£305,000).

Mr Guerin, who once served as Ferranti's deputy chairman, has been the target of an investigation by several US agencies in co-operation with the Serious Fraud Office in London for his alleged role in what US prosecutors say was a fraud against Ferranti now believed to exceed $1bn.

US prosecutors have said Mr Guerin used an elaborate system of phoney companies, Swiss and US bank accounts and falsified customer invoices to inflate the value of International Signal and Control prior to and after November 1987, when Ferranti acquired it.

The plea agreement calls for the establishment of a mortgage for $600,000 which Mr Guerin's wife, Helen, has promised to pay to the US government when the home is sold.

The mortgage document – dated July 18 1990 – includes a promissory note for the $600,000 to be paid to the US Department of Justice on an unspecified date "as set forth in the plea agreement executed by James H. Guerin and the United States of America".

Other details of the agreement have yet to be disclosed, and it is not known whether the eventual deal will require a prison sentence.

The assistant US attorneys in Philadelphia would not confirm the agreement's existence. But Mr Guerin's attorney said the mortgage was granted to the US government "in an effort to resolve his [Mr Guerin's] problems".

On September 24 Mr Guerin pleaded guilty to racketeering charges on behalf of his personal holding company, Parent Industries, the company which prosecutors said he used as an integral part in the fraud. In entering that plea Mr Guerin agreed to forfeit $4.4m to the Department of Justice.

WORLD TRADE NEWS

Top trading powers try to salvage Uruguay round

By Peter Montagnon, World Trade Editor, in St John's, Newfoundland

TRADE MINISTERS from the US, Canada, Japan and the European Community began a two-day meeting here last night amid worries that it may now be difficult to complete the Uruguay round of multilateral trade negotiations on time in December.

"With less than two months remaining in the Uruguay Round, we are faced with crucial questions which will determine whether the round succeeds," said Mr John Crosbie, Canada's trade minister who is hosting the talks.

The meeting of the so-called Quad will be the last such discussion among the world's major trading powers before the round ends.

However, participants did not expect it to resolve the wide differences between the US and EC over the central issue of farm reform.

The ministers will use the talks here to map out ways in which they can show a lead and help make progress in the final stages of the round.

In particular, they are expected to look for formulae to further the talks on subsidies, liberalising trade and services, and protection of intellectual property rights.

All are areas in which the Uruguay Round is being hampered by differences between the US and the EC.

Canadian officials said they would also be looking for progress towards a Uruguay Round agreement on government procurement, and at ways of promoting developing country participation in the round.

Under pressure from its manufacturing industry, the US is also keen to push for more progress in cutting tariffs.

The Bush administration believes acceptance by other countries on its proposal for the elimination of all tariff and non-tariff barriers on a sector by sector basis would create a ground swell of public support that would help it sell a final Uruguay Round package to Congress.

Disagreements within the European Community over the Commission's plan for a 30 per cent cut in farm support, as well as the EC's reluctance to negotiate on farm reform in such a limited forum, mean that no decisions are likely on agriculture. "We are not here to make deals," said Mr Germain Denis, a senior Canadian official.

Against the backdrop of the Gulf crisis, some participants believe it would be a mistake to provoke a bitter row on farming similar to that which occurred at the OECD ministerial meeting in Paris in May.

Yet, without a breakthrough on agriculture, international trade officials warn that it will be difficult to proceed with other related parts of the round such as general tariff cuts and liberalisation of trade in tropical and natural resource-based products.

Some are now warning privately that the round will have to be extended beyond its December deadline of the final result is to be anything more than a minimal package of trade reforms.

US and EC officials say they will continue to push very hard for a far-reaching package to be completed by December. They believe this process could be helped if enough positive signals emerge from the meeting here.

These could include agreement on how to handle the service sectors, such as shipping and transport, which are more resistant to liberalisation, as well as reconciliation of the transatlantic differences on intellectual property.

The EC has complained that US patent laws, which confer rights on inventors rather than the first party to publish the results of research, discriminate against foreigners because they have to physically ship laboratory notes to the US.

It is also seeking to protect the "moral rights" of authors.

John Crosbie: faced with crucial questions

US critical over Kansai bids

By Robert Thomson in Tokyo

BIDDING for construction of the passenger terminal building at the controversial Y1,000bn ($7.68bn) Kansai International Airport opened yesterday, as Washington intensified criticism of the handling of foreign bids for a people-mover system at the airport.

The airport, under construction on a man-made island in Osaka Bay, has become the site of continuing conflict between Washington and Tokyo over the access of foreign companies to large Japanese projects and alleged bid-rigging by Japanese companies.

Mr Kabun Muto, Japan's trade minister, was told by Mr James Baker, the secretary of state, in Washington this week that the US wants a formal inquiry into why a Japanese company, Niigata Engineering, won the people-mover contract ahead of AEG Westinghouse, the US company.

Japanese officials had suggested that the airport would be a symbol of the country's openness to foreign companies, and Washington played a role in convincing Tokyo to accept the ambitious plans of Osaka officials to build three runways at what will be Japan's first 24-hour airport.

The dispute over the ground transport system contract has shaken that spirit of co-operation, and put extra pressure on Japanese officials to look favourably on US bids for the terminal complex, which will have a floor space of 31.1 hectares and is likely to cost about Y150bn.

Kansai International Airport Company (KIAC) argues that the contract for the people-mover system was awarded on merit to Niigata Engineering, while Washington claims that AEG Westinghouse's expertise was not properly considered by the assessors.

The airport is due to open in March 1993, but Japanese contractors have suggested this week that the project is at least a year behind schedule.

Finnish bank reveals Soviet debt

By Enrique Tessieri in Helsinki

THE BANK of Finland has published for the first time the total debt owed by the Soviet Union to Finland, which amounting to FM7.2bn ($1.96bn). This debt not only includes long-term export credits, but various types of claims and credits owed by the Soviet Union to Finland.

Of the total owed by Moscow, some FM4bn is made up of hard-currency claims and credits given by Finnish banks and their subsidiaries in Europe. Another FM2.4bn are long-term export credits which can be paid through the clearing system.

Under FM700m of the total owed is made up of payment delays. Mr Jouko Rautava, a Bank of Finland official, is pessimistic about Finland getting paid back hard currency debts. He maintains that most of the hard-currency debts are owed by Soviet companies rather than by the central government.

"No matter what type of trade arrangement we conclude with the USSR this year, trade levels will see a drop (in 1991)", he added.

Both Helsinki and Moscow have been carrying out negotiations over the future of long-standing Finnish-Soviet semi-barter bilateral trade where the Soviets swap oil for Finnish manufactured goods.

Even if Finland is hopeful about getting from the Soviet Union a two to five-year grace period before switching trade to hard currency, analysts believe that it is doubtful whether Moscow has the means or the will to carry out semi-barter trade with the Finns in the future.

The total Soviet debt to Finland has grown to $2bn the Bank of Finland said yesterday.

● Kari Holopainen, Director of the Department of Soviet Trade at the central bank said, the debt, "was nothing out of the ordinary," AP-DJ reports from Helsinki.

Protectionists fail to quash Bush veto on textile quota bill

By Nancy Dunne in Washington

PROTECTIONIST forces have failed to get the two-thirds vote necessary to override a presidential veto of a textile and apparel quota bill. But 10 more votes in favour would have turned the tide – and reduced the chances of the Uruguay Round reaching a successful conclusion.

Arguing against the override before voting on Wednesday night, Mr Bob Michel, the Republican minority leader, warned the legislation would violate 38 bilateral pacts and two multilateral agreements while "totally undermining" the US position in the round.

"We can hardly ask with any credibility other nations to lower their barriers when we impose additional barriers of our own," he said.

While Mr Michel and the president prevailed, the 275-152 vote in favour of protection sends a clear message to the negotiators in Geneva that a powerful coalition in the US Congress – composed of industry, farm and environmental interests – is ready to oppose the ambitious trade liberalisation talks.

Spurred by the weakening US economy, opposition to trade liberalisation has begun intensify. Congresswoman Marilyn Lloyd, a Tennessee Democrat, bitterly denounced President Bush's veto message that the problems the textile bill was intended to address do not exist.

"Some of the problems that do not exist are the loss of hundreds of thousands of jobs, the erosion of our manufacturing base and the slowing of our economy," she said.

The administration's latest agricultural proposal tabled this week, has drawn heavy fire from the cotton, dairy, peanut and sweetener industries. In a detailed letter to Mrs Carla Hills, the US trade representative, they complained that the administration had not consulted them.

"We fear now that the modified goal of only a partial rollback of barriers, as well as the methods being considered to achieve this goal, could prove damaging for us and for American consumers," the letter said.

The dissatisfaction is such that Senator Tom Daschle, a South Dakota Democrat, has begun to consult colleagues about a bill to withdraw or "amend" the "fast-track" negotiating approval, granted in 1988 and seen as vital in getting congressional approval for legislation implementing a Gatt agreement.

Increasingly, a round achieving "a modest result" seems more likely to be acceptable all around. Mr Joseph Greenwald, a trade consultant and former US ambassador to the EC, has been arguing this case to administration officials.

Business views will exert a heavy influence on Congress, and what business wants most is an intellectual property code with high standards and effective enforcement mechanisms. It wants principles outlined for trade in services, but it has "scaled down" its expectations for trade in investment rules, according to Mr Greenwald.

Mr Mark Ritchie, president of the Institute for Agriculture and Trade Policy in Minnesota, has devoted the past 3½ years to defeating the administration's goal of eradicating all trade-distorting farm subsidies. He is concerned that the round will collapse.

"We are trying to figure out how to get this thing back on track," he said. "We do need multilateral trade rules."

● US threats to terminate its textile-trade pact with Macao, following accusations that local garment producers violated key labelling rules, pose a grave threat to the Portuguese colony's chief export industry, officials said, AP-DJ reports from Hong Kong.

US customs officials warned last month they would end the agreement after inspectors claimed that 41 producers in Macao have labelled Chinese-made sweaters and other knitwear with tags indicating they were produced in the colony. A spokesman at the US Consul in Hong Kong said the bilateral trade pact, which had been scheduled to expire at the end of 1991, could only be saved if Macao can correct the problem.

Japanese steelmakers resume Soviet shipments

MAJOR Japanese steelmakers have since the beginning of October resumed steel pipe production and shipments to Soviet buyers, which had been suspended early this year for non-payment according to industry sources, AP-DJ reports from Tokyo.

Payment to large Japanese trading houses has been trickling in since spring, and recently has picked up considerably, MrHisashi Miyake, executive director of the Kozai Club (Japan Steel Exporters' Association), said earlier this month. According to estiby industry officials, Soviet buyers have settled about $200m in arrears, which had totalled roughly $600m at the end of last month.

Of the amount contracted during the April to June period, totalling roughly 200,000 tonnes, it was estimated that the suspension restricted about 130,000 tons.

Sumitomo Metal Industries, one of the top three Japanese integrated steelmakers, has resumed production of mainly seamless pipes contracted for export to the Soviet Union, to reach about 12,000 tons, a company spokesman said yesterday. Other makers including Nippon Steel, the world's largest steelmaker, also confirmed that they had resumed production.

Davy McKee wins $100m Bethlehem Steel order

By Charles Leadbeater, Industrial Editor

THE DAVY Corporation, the British engineering group, has won a contract for one of the most significant single investments by a US steel maker in recent years.

Davy McKee Corporation, the US subsidiary of the British group, has won an order worth more than $100m (£50.7m) to design and manufacture two hot dip galvanising lines for Bethlehem Steel, the US steel producer.

Mr John Kelman, Davy McKee Corporation's president, said the contract showed that investment by the US steel industry was still strong in spite of the sharp weakening of steel prices in recent months and the fall in demand from the construction and automotive industries.

Many analysts expect the weakening market and falling prices to eat into steel companies' balance sheets, as they also need to invest to meet tougher environmental regulations and fiercer foreign competition, once the US system of voluntary import restraints comes to an end.

Davy Corporation plants in Poole, Hampshire, in the UK and its French subsidiary Clecim will be involved in the contract to provide Bethlehem's Burns Harbour plant in Indiana and Sparrows Point, Maryland, with a galvanising line each. The lines will be installed in 18 months. Davy McKee has organised financing for the deal with a consortium of Japanese trading houses.

Davy McKee is bidding to supply galvanising lines to the joint ventures between USX and Kobe Steel and Armco and Kawasaki Steel.

Western investment in Hungarian ventures grows

By Nicholas Denton in Budapest

A SERIES of medium-sized joint-venture agreements has marked a speed-up in the pace of western investment in Hungary.

Two Italian state-owned companies, ILVA, the steel maker, and Ansaldo, the electrical engineering arm of Finmeccanica, this week finalise joint ventures with Hungarian state enterprises.

ILVA is to pay L15.7bn (£6.8m) for 51 per cent of a joint venture with Salgotarjan Iron and Steel Works. Under an agreement to be signed between Ansaldo and Ganz Electrical Works, Ansaldo will take 51 per cent of Ganz-Ansaldo, the new joint venture.

Obstacles to two other big foreign investments in Hungary have been removed in the past few days. The Hungarian government has conceded the 10-year tax concession which Suzuki, the Japanese car maker, was demanding for its participation in the Autoconzern car plant joint venture, and Hungaria-Oberoi, a joint venture between Oberoi, the Indian hotel group, and state-owned Hungarhotels, is to take possession of a Budapest site, clearing the way for an investment of $60m in a new hotel.

Investigation at Sumitomo after illegal loans claim

By Stefan Wagstyl in Tokyo

THE Japanese Ministry of Finance has started an investigation of Sumitomo Bank, the leading commercial bank which has been hit by a scandal involving alleged illegal loans and by reports of financial difficulties at Itoman, a trading and property company.

Sumitomo Bank denied press reports that the investigation would focus on the bank's connections with Mr Mitsuhiro Kotani, the stock market investor at the centre of the illegal loans affair, or on Itoman.

The bank said yesterday the investigation was a routine audit and the ministry was also planning to examine the operations of Dai-Ichi Kangyo Bank, another top bank, at the same time. However, there are signs the ministry is putting a high priority on the audit and planning to complete it more quickly than similar reports in the past.

Japanese bankers say the authorities may seek to make an example of Sumitomo in their efforts to slow down the growth of the money supply, which spiralled during the years of cheap credit in the late 1980s. The Bank of Japan, in particular, is anxious to prevent any resurgence of lending for speculative investment in land and stocks.

Sumitomo, the biggest profit-earner among Japanese banks, pursued a policy of expansion under Mr Ichiro Isoda, the chairman who on Sunday announced his intention to resign. He said he would quit to take responsibility for the alleged involvement of a manager in an illegal scheme to solicit funds from clients and lend them to stock speculators, including Mr Kotani.

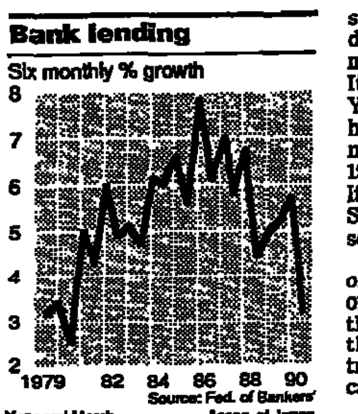
However, there is a growing suspicion in Tokyo that Mr Isoda's resignation has at least as much to do with problems at Itoman, which has debts of Y1,300bn (£5.03bn). Sumitomo has had close links with Itoman since a rescue in the 1970s. Thirteen out of 47 senior Itoman executives come from Sumitomo, many of them chosen by Mr Isoda.

Meanwhile, at the first day of Mr Kotani's trial yesterday on stock manipulation charges, the prosecution alleged that the funds used for a Y31bn transaction at the centre of the case came from Sanwa Bank.

According to the prosecution, Mr Kotani, head of Koshin, a speculative investment group, drove up the share price of Fujita Tourist Enterprise, a leisure group, in April to sell a 6m block of stock at an inflated price of Y31bn to Tobishima Lease, an affiliate of Tobishima Construction.

Tobishima Lease used money borrowed from Sanwa Bank to fund the purchase, it was claimed. Mr Kotani sold the stock in order to repay loans taken out to finance a previous stock operation – the controversial takeover of Kokusai Kogyo, an aerial survey company.

Mr Kotani has pleaded not guilty to stock manipulation. Sanwa Bank said yesterday it had never had a banking relationship with either Mr Kotani or Koshin. It lent money to Tobishima Lease for working capital, but did not know to what use its funds were put.



Figures published this week by the Federation of Bankers Associations of Japan indicate that the Bank of Japan's efforts to restrict lending growth are having an effect, Stefan Wagstyl writes. Loans from the top 13 banks grew by just 3.12 per cent in the six months to the end of September, the slowest six-monthly increase in 10 years. The figure for Sumitomo was the highest – Y1,180bn (£4.57bn) – against Y945.4bn for second-placed Dai-Ichi Kangyo Bank.

N Korea frees Japanese 'spies'

By Ian Rodger in Tokyo

TWO Japanese seamen returned to Tokyo yesterday after having spent seven years in captivity in North Korea on spying charges.

Their release comes only a few weeks after an unprecedented burst of unofficial diplomatic activity between Japan and North Korea aimed at clearing the way for negotiations to normalise relations.

The move appears to be part of an overall thaw in tensions in north-east Asia, following last month's decision by South Korea and the Soviet Union to establish diplomatic relations. North Korean leaders are thought to be particularly concerned about the sharp decline in Soviet economic aid.

Mr Isamu Beniko, 60, and Mr Yoshio Kuriura, 59, looked healthy, happy and fit as they stepped off a chartered All Nippon Airways aircraft yesterday morning at Tokyo's Haneda airport.

They were brought home by a delegation of senior politicians from the ruling Liberal Democratic Party (LDP) and Japan Socialist Party (JSP) who had been invited to Pyongyang by the North Korean government to set the stage for establishing relations.

The alleged spying incident occurred in November, 1983, when a North Korean soldier smuggled himself into Japan aboard the Japanese cargo boat, the Number 18 Fujisan Maru. A few days later, when the boat re-entered the North Korean port of Nanpo, North Korean authorities seized Mr Beniko, the captain, and Mr Kuriura, the chief engineer.

Frequent attempts by the Japanese government to obtain their freedom were rebuffed by the North Koreans.

Then last month, Mr Shin Kanemaru, a senior LDP politician, went to Pyongyang at the invitation of the North Korean government. At first, it seemed the visit would not lead to much, but when Mr Kanemaru met the North Korean leader, Mr Kim Il Sung, it was agreed that the two seamen should be freed, that Japan should apologise officially for its 36-year colonial rule over the Korean peninsula and pay compensation for that period and the 45 post-war years when they had no relations.

The Kanemaru-Kim agreement upset officials in both Tokyo and Seoul, partly because Japan had never offered compensation to South Korea for the post-war period. Japanese foreign ministry officials were at pains to point out that Mr Kanemaru did not speak for the government.

Early this week, Mr Ichiro Ozawa, secretary-general of the LDP and Ms Takako Doi, chairman of the JSP, flew to Pyongyang. At the conclusion of the visit, Mr Ozawa and Mr Kim both declared their eagerness to improve bilateral relations, but there was no mention in a joint memorandum about compensation for the post-war period.

North Korea has proposed opening official negotiations with Japan as early as next month. Japanese officials said the biggest obstacle to recognition had now been removed.

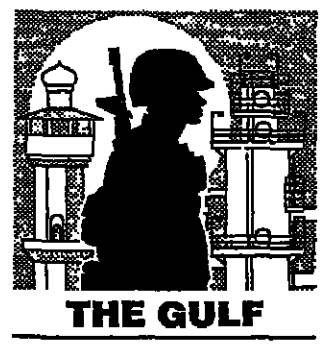
Jewish lobby set to give Bush a rough ride

By Lionel Barber in Washington

THE BUSH administration's decision to sponsor a United Nations resolution condemning Israel for excessive use of force in Jerusalem has unleashed a torrent of criticism among the American Jewish community.

Biased, unwarranted, and hypocritical was the verdict yesterday. The American Jewish Congress accused President Bush of "caving in to the political needs of our new-found Arab allies, including practitioners of terrorism and human rights violators such as Syria".

The depth of outrage goes beyond the hostility Jewish groups have always felt towards the UN – often a forum for anti-Zionist sentiment. Far more important is the unease about strains on the US-Israeli relationship caused by Washington's need to maintain its coalition of Arab states against Iraq.



Until this week, most of the fears and doubts among American Jews remained hidden from public view – with the exception of a well-organised lobbying effort against the administration's planned $20bn arms sale to Saudi Arabia.

The speed with which the administration took the lead last Tuesday in preparing a UN resolution condemning Israel took everyone by surprise – not least because the last time the US censored Israel in the UN Security Council was in 1982, after the invasion of Lebanon.

US officials insist that they had to move fast in order to pre-empt a more critical UN resolution which might have forced a veto, which in turn would have alienated moderate Arab states. The explanation seems plausible, because the US deliberately leaked its decision to condemn Israel before the Security Council had a chance to vote.

As one official said: "We had to get out ahead of this thing so Saddam and the PLO wouldn't get the mileage they're looking for".

In the event, the tactical manoeuvre appears to have backfired. After spending three days trying to win support for its own resolution, the US yesterday found itself confronted with even tougher anti-Israeli language put forward by supporters of the Palestine Liberation Organisation such as Yemen. This could provoke a US veto, negating all the previous hard work.

These diplomatic machinations have attracted attention because of the troubled state of the US-Israeli relationship – the result of tensions stemming not only from the Palestinian uprising in the occupied territories but also over tactics in the Gulf crisis.

Though unspoken, the feeling among Israelis is that the US has missed its chance to launch a pre-emptive strike against President Saddam Hussein and his military industrial complex; more broadly, there is concern about Israeli's place in the administration's (admittedly sketchy) plans for a future security order in the Gulf, once the crisis is resolved.

President Bush's speech to the United Nations last month raised further doubts, because it held out the prospect of a Middle East peace conference if and when Iraq withdrew from Kuwait.

Domestic political pressures aside, the fundamentals argue in favour of Washington and Jerusalem maintaining close relations: the PLO's support of Iraq has fatally weakened its legitimacy, and the intractable nature of the Arab-Israeli dispute remains changed. But it will be a rough ride in the weeks ahead.

PLO leaders seek united front in Tunis

By Lamis Andoni in Amman

PALESTINE Liberation Organisation officials meeting in Tunis believe that the killing of 19 Palestinians in Jerusalem will cement support for the leadership and drown voices within the movement which had been seeking to distance the PLO from Iraq.

The meeting of the PLO Central Council, a 100-member consultative body, focused attention on establishing the basis for an Arab initiative to link the Gulf crisis to an overall settlement of the Arab-Israeli conflict.

The PLO has been heartened by international criticism of Israel and evidence of emerging support, notably from France and the Soviet Union, for addressing broader Middle East problems as part of a settlement in the Gulf. Both Paris and Moscow have insisted, however, that any such moves would be conditional on Iraq's departure from Kuwait.

The PLO is therefore seeking to step up its campaign for the implementation of United Nations resolutions pertaining to the Palestinian problem and insisting on the despatch of a mission to Jerusalem to investigate last Monday's killings.

Palestinians have been highly critical of what they view as double standards and selectivity from Washington in applying UN resolutions, particularly after the US championed the implementation of strict resolutions against Iraq.

PLO leaders in Tunis are keeping a close watch on development at the Security Council debate in New York and they say that the Tunis meeting will try to avoid rejectionist rhetoric and formulate a peace plan to solve all of the problems in the region.

The internal debate within the PLO is said to revolve around whether the organisation should endorse a formula that calls for a solution for the Gulf crisis first, or simultaneous procedures to tackle the Kuwaiti problem and the Israeli-Arab conflict.

PLO leaders believe that the Monday shootings have rendered more urgent the need for immediate resolutions to provide international protection of the Palestinians in the occupied territories and for prospects for an Israeli withdrawal.

Many Palestinians fear that if the international community does not move now, Israel will never be pushed into giving up Arab territories it occupied in 1967.

An Israeli soldier grabs a Palestinian by his shirt yesterday after he was arrested during a protest in Jerusalem's Old City and taken to a military vehicle

Despite the unity of Palestinian opposition to the US military build-up in the Gulf displayed over the last two months, some voices of dissent were expected to be expressed in Tunis.

Mr Yassir Arafat, the PLO chairman, has come under pressure from wealthy Gulf Palestinians, many of whom are closely connected to Saudi and Egyptian leaders, to distance himself from Iraq.

Mr Arafat must also take account of more than 700,000 Palestinians who have been working in Gulf states, including Kuwait, and upon whom many families in Jordan and the Israeli-occupied territories depend for income.

Most of the 400,000 Palestinians in Kuwait have either lost their livelihoods or been scattered. Some Gulf states have also deported Palestinians in retaliation for the PLO's support for Iraq.

Palestinians who lived in Kuwait, many for more than 20 years, have expressed mixed feelings of pride in Iraq's challenge to western interests and sadness over the destruction of Kuwait.

India warns of austerity measures

By David Housego in New Delhi

THE Indian government has belatedly given the country the first warning of the tough measures it recognises will be needed to offset the impact of the Gulf crisis on the economy.

At a meeting of the National Development Council, the main economic policy-making institution, yesterday, Mr V.P. Singh, prime minister, said: "A tidal wave has hit us from outside". People must be prepared for sacrifices instead of mere peripheral measures, he added.

The gravity of the situation appears to have hit the government – which has otherwise been preoccupied with a series of domestic crises and the issue of its own survival – with last week's downgrading of India's credit rating by Moody's to Baa1.

This followed the equally bleak realisation from the recent World Bank and IMF meetings in Washington that little fresh concessional aid would be available.

The Finance Ministry estimates the Gulf crisis will add $3bn to the current account deficit of the balance of payments in a full year – with the chance of $1.5bn of this being offset by higher exports and fewer imports.

But this still leaves a current account deficit of more than $10bn, of which $4bn-5bn remains to be financed. Increasingly, the only feasible source is conditional IMF borrowings which the government has so far strongly resisted.

Mr Madhu Dandavate, finance minister, said: "We have to take hard measures of our own. We have to reduce consumption and imports of oil we can no longer afford."

Li 'changed story' of Cathay shares

By John Elliott in Hong Kong

MR Ronald Li, the former chairman of Hong Kong's stock exchange, was yesterday accused in Hong Kong's High Court of "changing history" about the way he solicited 500,000 shares in Cathay Pacific Airways in 1986.

The accusation was made by Mr Michael Kalisher QC, prosecuting counsel, during his winding-up speech in a corruption trial which is now in its sixth week. A verdict is expected from the jury in the middle of next week.

Mr Li is on trial on corruption charges, which he denies. The charges arise from his purchase of the Cathay shares, plus 200,000 Novel Enterprises shares, when he was chairman of the exchange's listing committee, as well as chairman of the exchange itself in 1986 and 1987.

Yesterday Mr Kalisher was building up a picture for the seven-person jury, all ethnic Chinese, of Mr Li as a "consummate professional with his finger on the pulse of the financial community". He made profits on almost all his share dealings.

He suggested that Mr Li, who had avoided answering many of his questions while under cross-examination last week, "tried to pull the wool over your eyes".

The story-changing allegation was made because Mr Li had claimed while giving evidence that he had been able to obtain the Cathay shares because SPS Investments, in which his family had a substantial shareholding, was acting as sub-underwriter.

But Mr Kalisher said that this point had not been raised by defence counsel earlier in the trial when Mr Keith Holman, an executive of Wardley, the merchant bank involved in the issue, gave evidence about a soliciting call from Mr Li.

Mr Kalisher alleged that Mr Li had introduced the SPS Investments point during his evidence to deflect the jury's attention from prosecution allegations that he really thought he was obtaining a "reward" for the Cathay shares being listed.

A further trial of Mr Li and seven other defendants under a prevention of bribery ordinance is scheduled to start on February 25.

Hunger striker Kim is defiant after Seoul talks

By John Ridding in Seoul

MR Kim Dae Jung, leader of South Korea's largest opposition party, who is engaged in a hunger strike, yesterday met leaders of the ruling Democratic Liberal Party in an attempt to break the country's political deadlock.

Officials of Mr Kim's Party for Peace and Democracy (PPD) expressed optimism that yesterday's meeting could help narrow the differences between the two sides, which along with protests over the rushed passage of controversial legislation, have caused a boycott of parliament by the opposition.

But Mr Kim warned the government not to underestimate his determination to continue his hunger protest until his political demands are met.

On the fourth day of his fast, Mr Kim said: "I have risked my life for democracy before and can do so again". He has previously survived an assassination attempt and at one time had been sentenced to death.

The PPD demands include a pledge from President Roh Tae Woo not to reform the constitution in favour of a cabinet system, implement local democracy and end military involvement in politics.

Mr Kim said the most important issue was the full implementation of local democracy. "There is no other country which claims to be democratic and which doesn't have local democracy."

Egypt votes on election issue

EGYPTIANS voted yesterday on whether to dissolve parliament in a referendum President Hosni Mubarak hailed as the dawn of a new era in Egyptian politics, Reuter reports.

Mr Mubarak, riding a wave of popularity over his handling of the Gulf crisis, called the referendum last month after a court ruled the 458-seat house had been chosen under an illegal electoral law.

A "yes" vote is virtually a foregone conclusion because most political sectors want early elections under a new voting regime Mr Mubarak has promised to introduce.

Mr Mubarak, trying to broaden Egypt's democratic process, has said he would abolish party lists to give all candidates, including independents, a more equal chance.

Strike leads to petrol rationing in Victoria

By Kevin Brown in Sydney

THE Australian state of Victoria introduced petrol rationing yesterday as supplies began to dry up because of a strike by drivers and maintenance workers.

The introduction of rationing caps a disastrous year for Victoria, where the economy is slowing faster than anywhere else in Australia, and taxes are set to rise sharply to finance a series of financial disasters in the state banking sector.

Mr David White, the state Industry Minister, said motorists would be restricted to A$20 (£8.40)-worth of petrol or liquid petroleum gas on alternate days in Melbourne, the state capital, and surrounding areas.

Motorists whose number plates end in even numbers will be allowed to make purchases only on even numbered days, and those with odd numbers will have to buy on odd-numbered days.

Buses and motorcycles will be exempted, together with police and emergency vehicles, milk delivery trucks, funeral vehicles and most public utility vehicles.

The restrictions follow industrial action by Esso workers which has cut deliveries of crude oil from Australia's Bass Strait oilfields by 40 per cent and stopped road movements of oil products and LPG. The strike is over working conditions and redundancy terms for Esso staff.

Pakistanis see a fading light at end of the tunnel

Few believe fresh elections, if they take place, will solve the country's crisis, Christina Lamb writes

WE APOLOGISE for this temporary democratic interruption. Normal martial law will be resumed shortly: the graffiti on the Karachi wall says it all. Few in Pakistan believe that elections due in less than two weeks' time will occur, and of those who do, even fewer believe they will end the country's crisis of government.

History is not on the side of a favourable conclusion. Since 1977, Pakistan has seen three prime ministers removed by the military and 11 years of martial law. In its lifetime Pakistan has held only two free elections. For the last two days the military high command has been meeting to discuss whether to go ahead with the third.

The army's decision may be swayed by the suspension of US military and economic assistance. President George Bush failed to sign the certification due on October 1 assuring Congress that Pakistan does not possess nuclear weapons and thus preventing the release of $564m (£286m) of a six-year package.

Every year Pakistan's suspected nuclear capability has threatened certification, but until now its strategic importance in supporting the Afghan resistance had been sufficient to bypass this.

Mr Hussain Haqqani, the prime minister's spokesman, insists "the problem is bureaucratic not political", adding: "Pakistan is being made an easy example of to placate the anti-nuclear lobby."

But one minister admitted the US has given a clear warning that aid may be hindered unless free and fair elections go ahead on October 24. This has angered some of the hawkish lobby in the military who resent US interference.

Even if elections proceed the outlook is bleak. Illiteracy, officially 74 per cent, is rising while the birth rate, at 3.4 per cent, is one of the world's highest. There are more than 1m heroin addicts and arms are so freely available that rocket-launchers can be bought in the bazaar. The southern province of Sind is in a state of insurrection, plagued by kidnappings and ethnic violence which has caused 1,500 deaths in the last two years.

Economically the country has been badly hit by the Gulf crisis. Not only has the oil bill doubled – Pakistan was previously receiving oil at $16 a barrel under a special deal with Kuwaiti – but remittances from Gulf workers, Pakistan's most profitable export, have been slashed. Mr Ghulam Mustafa Jatoi, the caretaker prime minister, estimates that the cost to Pakistan could be as much as $2bn this year.

A request to donor countries for further assistance, circulated last month, received short shrift. The IMF has withheld credit since June because of failure to meet targets. Suspension of US aid in these circumstances could be the final blow.

The army believes itself to be the only institution now able to hold the country together. Rather than directly running the show, the army under General Aslam Beg prefers the role of final arbiter, pulling the strings behind the scenes and occasionally intervening to keep the politicians in line.

But in dismissing Ms Benazir Bhutto's government the army betrayed its lack of political feel. The army expected her Pakistan People's Party to crumble, discredited by its failure to deliver and by widespread rumours of corruption. But the PPP seems more comfortable back in opposition and has rallied round Ms Bhutto. Few members have deserted, despite enticements.

The corruption charges against Ms Bhutto and the arrest of her husband have backfired, creating a wave of sympathy. Mr Iqbal Haider, the PPP's information secretary, explains: "Whatever our sins they have been washed away by the injustice done in dismissing our government."

At the same time, Ms Bhutto's opponents in the conservative Islamic Democratic Alliance (IDA) is beset by infighting. Despite having the weight of the military, bureaucracy, president, intelligence agencies, all but one political party and the majority of business behind it, the IDA has not been able to get its act together. All that holds the IDA together is hatred of Ms Bhutto, and at least four leading members covet the premiership.

The greater the prospect of a PPP victory, the less likely the elections are to go ahead. The army could not let Ms Bhutto back without considerable humiliation, and fear she would seek vengeance. One hawkish corps commander said: "We can't stand her. We don't even want her in the country or the parliament." As she herself acknowledges: "You don't throw out an elected government just to let it back three months later."

The PPP has made overtures to the army in the hope of a deal. Mr Salman Taseer, a PPP leader, said: "One thing is clear, if you want government in this country you must work with the army." But such an arrangement would leave Ms Bhutto even more tied than last time round, when defence, foreign and economic policy were out of her control. As Mr Taseer added: "Can you let the bear into the tent and expect to survive?"

Those in the army intent on keeping Ms Bhutto out see the only escape as a postponement of the elections. There are signs that the army has been trying to stir up trouble on the borders with India.

Few believe Gen Beg would impose martial law unless there was absolutely no alternative. A migrant from India, he has little constituency within the army, and would probably soon be ousted. Those close to him say his plan is to try out an IDA government and then, if that crumbled, as expected, step in.

Whichever scenario emerges, Pakistan has rarely been so depressed about its future.

Even if elections go ahead it makes little difference who wins, as the large amount of money required for campaigning means candidates of both parties are totally unrepresentative of the majority. Those businessmen who can are moving abroad.

A Karachi banker said: "At least during the last martial law there was always Benazir Bhutto as the light at the end of the tunnel. Now we have tried her out and nothing improved. Ahead there is only darkness."

Suspension of US aid adds to economic turmoil

By Christina Lamb

ALREADY in political turmoil after the dismissal of Benazir Bhutto's government, Pakistan is now facing economic crisis with the cut-off of US aid.

Just three weeks after Pakistan made an unsuccessful appeal for emergency aid to lessen the effects of the Gulf crisis, the country's largest donor has withheld $564m (£286m) because of fears that Pakistan is making nuclear weapons.

The caretaker government in Pakistan is playing down the suspension caused by President Bush's failure to give an assurance to Congress that the nuclear programme is for peaceful purposes. A spokesman for the Pakistan government said: "This is the third time certification has been delayed. We have no reason not to expect aid to be resumed". President Ghulam Ishaq Khan of Pakistan wrote to President Bush on Monday assuring him that the nuclear programme was peaceful and reaffirming that Pakistan was prepared to sign the non-proliferation treaty as soon as India did.

The nuclear issue is very sensitive in Pakistan and no politician can afford to accede to American requests that they be allowed to inspect the country's nuclear plant at Kahuta. Mr Ghulam Mustafa Jatoi, the Prime Minister, said: "We would rather lose American aid than open up the plant".

Mr Jatoi is conscious of the vulnerability of his government's position after the army backed dismissal of the government of Ms Benazir Bhutto in August. The US has played into Ms Bhutto's hands by allowing their action to be seen as a warning to Pakistan that elections scheduled for October 24 must proceed. Last month, Mr Robert Oakley, US ambassador, said: "Pakistan needs to redress the beginnings of a slide from democracy..."

● Ms Bhutto's husband, Mr Asif Ali Zardari, was remanded in custody yesterday until October 24, the day of the elections in which he is contesting two constituencies. He was arrested on Wednesday on charges of extortion and using influence to obtain illegal bank loans.

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Cable TV given right to run local telephones

By Raymond Snoddy

THE GOVERNMENT has decided to recommend that cable television operators should have the full right to operate their own local telephone services in competition with British Telecom and Mercury Communications.

The significant boost for cable operators will come in the consultative document on the BT/Mercury duopoly review due to be published next month.

A few cable operators, such as Windsor Television, are already offering local telephony services but each deal has to be separately negotiated with either BT or Mercury, and a licence has to be granted by the Office of Telecommunications.

The big American players in the UK cable industry, including US telephone companies Pacific Telesis of California, and Nynex, the New York and New England telephone company, want the automatic right to run their own switched local services and interconnect with the BT or Mercury networks.

Control over local telephony should provide a major investment boost to cable by creating two streams of revenue: one from carrying television channels and the other from telecommunications services.

Cable franchises have now been awarded covering around two thirds of the country and reach 14.6m homes.

An investment of more than £4bn would be needed to construct the networks.

There have been signs that some of the big North American players, which have got about 95 per cent of the British cable industry, have been holding back on investment decisions until the government's position on telecommunications competition is known.

Some industry specialists believe that telephone services could eventually turn out to be more profitable to cable operators than the provision of entertainment.

Cable TV offers the government the chance to create competition to the duopoly at local level.

John Major: struck a cautious note on Britain's attitude to monetary union

Senior Tories press for strong UK role in Europe

By Alison Smith, in Bournemouth

SENIOR conservatives yesterday outlined their hopes for Britain's future role within the European Community to the party's annual conference at Bournemouth.

In particular two cabinet ministers kept up the pressure for Britain to build on its entry into the exchange rate mechanism by emphasising the lead it could take in implementing economic and monetary union (Emu).

Meanwhile Mr Douglas Hurd, the foreign secretary, warned that there was "no future in a sulky, defeatist, fog-bound membership of the Community".

Sir Geoffrey Howe, the deputy prime minister, told a fringe meeting that "there is a legitimate monetary dimension to the EC" and reminded his audience that since 1971, Britain had reiterated that "the progressive realisation of Emu" as a goal for Europe.

And Mr David Hunt, the Welsh secretary, said Britain's ERM entry confirmed Britain's position "in the lead in the implementation of European Monetary Union".

Sir Geoffrey's speech to a Bow Group meeting also made clear his view that if a unified Germany was to remain firmly anchored in Europe, "then it follows logically that the European anchor must be stronger as well.

"Most of us can think of worse fates than being linked to, and stabilised by, one of the most successful currencies in the world. And certainly most of us would think it unwise to pass up the chance of sharing control of whatever joint arrangements may follow," he said.

Looking ahead to the 1990s on domestic issues, Sir Geoffrey said he thought they would be characterised by economic conservatism with its emphasis on sound public finances and market liberalisation, and social libertarianism with increasing moves to provide give greater choice and opportunities.

But he added that to succeed in implementing radical policies such as those in health and education, a "step-by-step" approach was necessary.

And in an attack on the right-wing No Turning Back group, he said "no turning back" was not the same as "bash on regardless".

Mr Hunt told a dinner organised by the Tory Reform Group: "The challenge of the Nineties will be to develop an ever closer bond with our fellow partners in Europe."

German unification, he said, would be a "tremendous boost" to the process of forging closer links among European Community countries.

And, like Sir Geoffrey, he rejected the idea of a unified Germany as a threat to the rest of Europe. "It is only a threat to those who look back with the slogans of yesteryear and the language of the past," he said. "To the rest of us it is a challenge to be welcomed.

Mr Hurd told the conference proper that Britain had to play a leading part in discussions, to help achieve a non-protectionist Europe which was open in its attitudes towards other countries, in the same way that it had taken a lead in the programme for completing the single market in 1992.

BRITAIN IN BRIEF

Brymon to switch from Amsterdam

Brymon Airways, the joint venture between British Airways and the Dutch-based AP Mooler Group, is to cease operations between London City Airport and Amsterdam and reallocate the aircraft to the airline's London City-Paris route.

Brymon, which only launched its Amsterdam service in April, said it had been unable to generate the volume of business it wanted on the route.

Lords rule on Spanish fishing

The political row that followed June's European Court ruling that a UK court can suspend an act of parliament on the grounds of its alleged incompatibility with EC law was based on a misunderstanding, the House of Lords has ruled.

The Law Lords were giving the reasons for their decision in July to allow Spanish-owned fishing vessels to resume fishing in British waters pending a further ruling by the European Court about the compatibility with EC law of the 1988 Merchant Shipping Act.

The Act was introduced by the government to end the practice of "quota hopping" under which UK fishing quotas were allegedly being plundered by Spanish-owned vessels flying the British flag.

Ulster job laws in confusion

Northern Ireland's fair employment legislation was thrown into disarray after a tribunal ruled it was illegal for a company to disclose information about the religion of its employees while a workers' complaint was under investigation.

The ruling by the Fair Employment Tribunal in Belfast, which was set up to handle individual complaints of discrimination, brings to a standstill work on more than 100 cases of alleged religious discrimination by Ulster companies.

Taking coals to Newcastle

Young Group, the Newcastle-based quoted private sector coal mining specialist, is to land high quality Venezuelan coal in the UK for less than £30 a tonne and undercut local prices by at least 16 per cent.

Young hopes to exploit the UK's artificially inflated prices, where British Coal's markets are protected by royalties of £6 per tonne on private sector mining companies. The new trade will follow the acquisition yesterday of an 80 per cent stake in Carbones Naricul, a Venezuelan opencast mine, by Sanger Peak Holdings, a Young Group subsidiary in a $2.4m deal.

OFT acts over heating groups

Sir Gordon Borrie, director general of Fair Trading, responsible for monitoring trading practices, announced that he is taking 18 suppliers of thermal insulation materials to the Restrictive Practices Court over their involvement in alleged price fixing agreements.

Investigations by the Office of Fair Trading following an anonymous complaint from within the industry in July 1988, have revealed two price fixing agreements which ran from the end of 1986.

300 jobless in Milton Keynes

Over 300 redundancies in the Milton Keynes area were announced by two manufacturing companies, Allen-Bradley, an industrial automation equipment producer, and aluminium processing and finishing group Acorn Exal.

Textile industry faces problems

The problems of the textile industry are likely to intensify over the next few months because of the uncompetitively high value of the pound, according to a senior industry figure.

Mr Allan Nightingale, chairman cf the Apparel Knitting and Textiles Alliance, has warned that the industry may be trapped between the parallel problems of increasing imports and falling exports at a time of static consumer demand.

Maxwell takes Budapest stake

Mr Robert Maxwell, the UK publisher has reached agreement in principle to take a 40 per cent stake in Esti Hirlap, the evening newspaper in Budapest, the Hungarian capital.

Mr Maxwell is to become publisher of the paper and its journalists will be invited to hold shares.

Bank favours Ecu trading

The Bank of England told authorised market makers in UK government bonds that it favoured their trading in bonds denominated in Ecu, the basket of European community currencies.

The Bank called a meeting yesterday of the 19 gilt-edged market makers over a consultative paper on its proposals. If adopted, they would allow them to trade also in bonds, short-term bills and bank certificates of deposits denominated in Ecu.

Birmingham in £7m EIB loan

The European Investment Bank is to make a £7m loan to Euro-Hub (Birmingham) for the construction of a three storey terminal capable of handling 2.4m passengers a year at Birmingham International airport. The airport expects to handle 4.5m passengers by 1992.

3m register for power shares

More than 3m people have now registered their interest in buying shares in the 12 regional electricity companies, which are due to be sold in December.

The slow-down in the UK economy and the recession in the UK new vehicle market have put Toleman Holding, the biggest UK operator of car transporters, under acute financial pressure. In response to the crisis a majority of the workforce has this week accepted a radical wages and conditions package including a 25 per cent pay cut in the last three months of the year and far-reaching changes in working practices.

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UK NEWS

Economic virus threatens computing services industry

Alan Cane reports on a sector programmed for growth which is becoming worried by recent trends

GROWTH in the UK computing services industry, a bellwether of UK business activity, has come to a halt.

Employment growth in the industry was close to zero after the first two quarters of this year, staff numbers are expected to show a decline in the third quarter for the first time since the early 1970s and graduate recruitment has been cut severely.

Figures to be published soon by the Computing Services Association (CSA), the trade organisation for software and services companies, show that the rate of increase in staff numbers – which in the services business is closely correlated to the growth of the industry – has been slowing since the middle of 1989.

"No matter what the government says, the country is heading into recession," the head of one software house said.

That is a dramatic turnround for an industry which is traditionally short of experienced staff and that has often complained that its growth has been constrained by staff shortfalls.

Companies that are members of the CSA include software houses, systems integrators, management consultancies, maintenance and facilities management organisations.

As a group, they have been accustomed to growth rates in excess of 20 per cent, driven by their customers' needs to install new computer systems and upgrade older ones.

So dependent are most companies on computer systems these days that any new business initiative demands a new computer system – often developed by a computing services organisation.

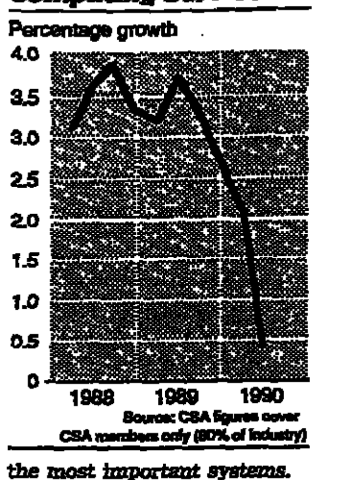
Now such companies are experiencing a check in growth that is wholly alien to them. Many middle managers in software and services companies have worked only against the backdrop of growth.

The sectors most affected include manufacturing, defence and financial services, where orders for new equipment and software have been weak since 1987.

That has hurt companies such as Reuter, Micrognosis and Data Logic. On the other hand, there is still growth in the market for open systems based around the fashionable Unix operating software, which makes it easier to link computers together and allows for multi-tasking operations, where customers see opportunities for installing powerful computer systems at lower prices.

The chief effect of the slowdown is a tendency among customers to delay placing contracts for anything other than the most important systems.

Employment in computing services



Source: CSA figures cover CSA members only (80% of industry)

Services companies are just starting to feel the squeeze. The phenomenon is just beginning to make itself felt seriously among services companies.

Mr Bryan Mills, chairman of Pi Holdings, a group of small computing services companies, illustrates the difficulty. "Instead of saying 'We have come back from holiday and we will be placing orders' our customers are saying 'We're back from holiday and we are going to think about orders.'"

Most small computing services companies, Mr Mills points out, have a forward order book of only six to eight weeks, so delayed contracts can have a serious effect on the business.

Bryan Mills: order delays

"I had a worried manager on the telephone this morning saying that a deferred order meant he would be unable to deliver a planned £20,000 to the bottom line this month", he added.

The picture is complicated by structural changes in the computer sector that have exaggerated some companies' financial performance and tended to mask the effects of the slowdown in the UK economy.

According to Mr Richard Holway, who publishes analyses of the computing services sector, profit growth from UK quoted companies has slowed from 22 per cent to just 5 per cent, although sales, buoyed by the tide of mergers and acquisitions which has swept across the sector, grew by 31 per cent.

Mr Holway says a series of poor results from computer services companies is not so far the result of a slowdown, but of ill-advised acquisitions and difficulties with large fixed-price contracts.

However, Mr Holway adds: "There is clear evidence that the sector from the second quarter of this year is in recession and that will hit future results."

Trading has become difficult even for star performers. Kewill Systems, specialising in manufacturing systems, is one of the sector's top performers, with growth in earnings per share of 38 per cent this year. Last month the company warned of harder times ahead.

Mr J. K. Overstall, Kewill's chairman, identified the beginning of April 1990 as the time that orders for larger systems – in the £100,000 bracket – started to be deferred. "Of four letters of intent in April, none have been finalised," he said.

Sema Group, the Anglo-French computing services company quoted in London, sees the slowdown extending already to mainland Europe. The Benelux countries were "a hard slog" while the French market was "slowing up", according to Mr Jerry Jerram, group finance director.

Mr Jerram said the group had already taken steps to balance its costs against its income and was now broadly in balance. He did not expect an upturn in the market for at least a year.

Mr John Wilson, a main board director of the London-based systems house Data Logic, said he was expecting that 1991 would be as tough as 1990.

The company had anticipated the slowing of the economy by restructuring and focusing on areas of special expertise – mainframe applications for IBM systems, Unix systems and information engineering – where its skills are still in demand.

The next 18 months will be a testing time for most services companies but those who have been through the cycle before are philosophical.

"It is going to be tough in the short term," Mr Mills said. "But those that win through will be better placed to take advantage of the upturn when it comes."

EC official says Britain stands alone on Emu timetable

By Peter Marsh, Economics Staff

BRITAIN was told yesterday by a senior European Commission official that it was in a minority of one in the European Community on its approach to the timetable for economic and monetary union.

The warning came from Mr Joly Dixon, an adviser on economic policy to Mr Jacques Delors, the European Commission president.

In the week that Britain joined the European Monetary System's exchange rate mechanism, which many see as the first step towards monetary union, the warning underlines the difficulties Britain may face in winning acceptance for its ideas on European Monetary Union (Emu).

Mr Dixon, speaking at a conference in London organised by Hambros Bank, said Britain was the only country among the EC's 12 members which did not want to set a date for beginning stage two on the path to Emu. Stage two, under a plan drawn up the commission, would speed up the integration of the economies and monetary policies of the EC.

Some EC countries have proposed that stage two should begin in 1994, providing that economic conditions in individual nations show signs of convergence. Britain, however, argues that differences in the nations' economies make such a discussion inappropriate.

Sir Terence Burns, chief economic adviser at the Treasury, told the London conference that he could not say whether Britain was the only EC nation to take this line: "I have the impression that there is a little more general scepticism about fixing the date. But I cannot speak for the other countries."

Mr Dixon also criticised Britain's proposals for a new European currency – the so-called hard Ecu that would be based on the existing Ecu, a notional monetary unit linked to the different weightings of a basket of European currencies.

Mr Dixon said it would create uncertainty and instability. He supported gradual moves to institute a hard Ecu, but this would take several years: "Why upset the apple cart by moving off in a different way?"

Britain is trying to win European support for its Ecu proposals ahead of an intergovernmental conference in December that will debate the next steps towards EMU.

Privatised industries put lowest priority on customer service

By John Authers

CUSTOMER service and product quality are put at the bottom of their list of priorities by senior managers in newly privatised UK industries, according to a report published yesterday. Instead, the greatest short-term need is identified as "culture change".

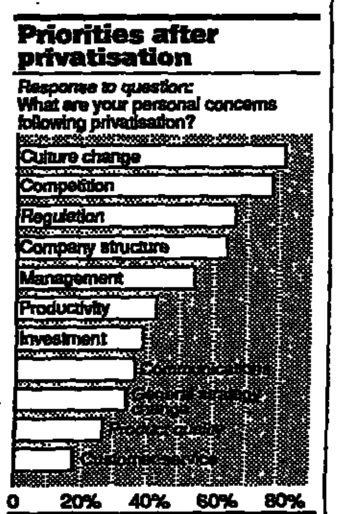
Researchers from United Research, a management consultancy, and the Centre for Business Strategy at London Business School, interviewed 53 chairmen and chief executives of companies privatised since 1979, or soon to be privatised. They included British Airways, British Telecom, PowerGen and the 10 former water authorities.

When asked what priorities most concerned them in the short term, "culture change", roughly defined as "getting the company used to how things are done in a business culture", came top, mentioned by 81 per cent. Issues such as regulation, company structure, and management also ranked highly.

But only 27 per cent mentioned product quality, while customer service came bottom of the list with 18 per cent.

Priorities after privatisation

Response to question: What are your personal concerns following privatisation?



Sir Peter Walters, chairman of the governing body of the LBS and a former chairman of BP, commented: "I'm not saying they've got their priorities wrong. If they persisted in these priorities for any length of time that would be the wrong balance. But you have to embark on that change first."

United Research pointed out that this was probably only a short-term phenomenon, caused by the difficulty of overcoming entrenched attitudes after privatisation.

However, in a survey of longer term aims, directors named customer service and quality as their top priorities.

Virtually all the directors agreed that privatisation was a "crucial necessity" for state-owned companies, but the transitional period could be difficult and dangerous.

Customer expectations were heightened, and the City of London acted as a harder taskmaster than the government, the survey found.

But directors still welcomed the move away from the government administration's "civil service mentality", and the shift to the City of London's swifter decision-making.

Commenting on the initial low placing of customer satisfaction, Mr Alun Evans, of United Research, said: "The City must bear some of the blame for that because it does not seem to value investment which gets long-term customer improvements as much as it does the bottom line results."

The report also found that performance related pay, at all levels of the workforce, is used much more widely in the larger companies since privatisation.

Privatisation – Implications for Cultural Change, United Research, 11-14 Grafton Street, London W1X 3LA. Available on request from Mr Alun Evans.

Union votes for ballot on pits overtime ban

By John Gapper, Labour Editor

ABOUT 55,000 miners are to be balloted within three weeks on a full overtime ban in order to force wage talks.

Leaders of the National Union of Mineworkers said a ban could cut deep-mined coal output by over a third.

A pithead ballot is to be held by the NUM after a 73 per cent vote in favour at a delegate conference yesterday. The move was opposed only by the union's non-manual section and the North Wales, South Wales, Derbyshire and Scotland areas.

Despite the majority for a ban to force British Coal to negotiate with the union, some NUM leaders doubt whether miners will support action which could cut the 37 per cent of wages earned in overtime and productivity bonuses.

The last NUM industrial action was a limited overtime ban in 1987.

Mr Arthur Scargill, NUM president, said the union was willing to accept ad hoc national talks with British Coal if the corporation refused a new wage forum. It currently negotiates only with the Union of Democratic Mineworkers.

"I think most people would accept it is not a ridiculous position to want to sit down with our employer and negotiate wages," he said. He hoped industrial action could be avoided by a shift in British Coal's position.

Mr Scargill said he believed more than 30 per cent of deep mined coal output – which currently stands at 75m tonnes a year – could be affected by a full overtime ban. Much essential maintenance work is done in overtime hours.

The average wage of face-trained miners in April was £310.90, of which £43.90 came directly from overtime and £70.90 from productivity bonuses which depend on overtime working. Miners worked an average of 5.2 hours overtime a week.

The motion calling for a full overtime ban with safety cover was proposed by the Yorkshire area and backed by a majority of 47,000 to 17,000.

British Coal says it will only negotiate if the union accepts the "majority-minority" concept, under which the wages of NUM members at pits where the union is in a minority, would be negotiated with the UDM.

MANAGEMENT

Report and accounts

The image reflected has made distortions

David Waller *on an experiment to test whether an alternative presentation would result in a more 'true and fair view'*

In BTR's most recent annual report, Sir Owen Green, the company's chairman, drew attention to the huge gap between the valuation accorded to the acquisitive conglomerate by the stock market and its value as indicated by its balance sheet assets.

"The book value of shareholders' funds has risen to £1.6bn," Sir Owen, a chartered accountant, writes. "This compares with a market value of shares and warrants, at the year end, in excess of £8bn."

The gap has narrowed since December 31, not least because *the stock market has fallen by* 20 per cent in the meantime. Nevertheless, a problem remains, not just for BTR but for the British quoted company sector as a whole: that of defining what a set of accounts is supposed to achieve.

Why do balance sheets not give a more realistic indication of the company's value? Are the numbers directed towards the sophisticated professional investor or the private client, or *both? Should the figures* concern themselves just with the past, or should they give a clue as to the future?

The accountancy profession has been around for well over a century, but still there are no universally accepted answers to these questions. Two years *ago, the Research Committee* of the Institute of Chartered Accountants in Scotland produced a document in a radical attempt to answer some of these questions.

As can be easily gathered from the title of their publication – Making Corporate *Reports Valuable – the Scot*tish accountants started with the premise that company accounts were not as useful as they could be.

The specific shortcomings they identified were that: accounts adhered to legal form rather than economic substance; they used measures of cost rather than of value; concentrated on the past rather than the future and were preoccupied with profit rather than the total wealth of the business.

Furthermore, the accountants identified a gulf between the sort of information used by management in the running of the business and the data released to external investors, analysts and other users of accounts. In principle, they said, the information required by third party users of accounts was the same in kind, if not in volume, as that used by management.

These were the principles: there were also some practical suggestions. Technical jargon should be abandoned, they *argued; corporate reports* should contain a summary of accounting objectives; the emphasis on prudence required under UK company law should be dropped in favour of experimentation; like Sir Owen Green, managers should comment on the difference between market value and balance sheet numbers, and explain that difference if at all possible.

The most radical suggestion, *perhaps, was that the balance* sheet should be dropped altogether, to be replaced by a statement showing all the changes in a company's wealth: ie the extent to which assets had grown in value as well as the increase to shareholders' funds represented by *this year's profit after tax and* dividend.

In the absence of any real examples, it has been easy for more hidebound accountants to pooh-pooh these ideas as theoretical nonsense. Last month, however, the same group of Scottish accountants *produced a second document:* the annual report of Melody plc, ostensibly a musical instruments manufacturer and wholesaler but in reality a real-life (but unidentified) subsidiary of Grampian Holdings, a quoted Scottish industrial group.

The document shows how the ideas contained within "Making Corporate Reports Valuable" work when applied to a real company. It was put together over the course of *several weeks this summer.*

To anyone remotely familiar with annual reports, the Melody document will appear very strange. The textual parts are written in easily comprehensible English; the numerical parts do not balance; there is no reference to auditors, only an unknown type of professional assessor. There are several paragraphs spelling out that the responsibility for the figures rests with the directors, not the "assessors".

"The directors have a further duty to ensure that the financial statements present a rea*sonable view of the* operations, distributions, cash flows, value added and changes in financial wealth during 1988," the document declares, in language which will be utterly unfamiliar to anyone reading BTR's annual report, for example.

The Statement of Changes in Financial Wealth is not found elsewhere; its sections include "financial wealth generated by operations" and an adjustment in financial wealth caused by *the net decrease in the value of* fixed assets. There is an operations statement, the bottom line of which is not profit but financial wealth.

Other innovations include a statement of assets and liabilities *and columns of figures allow*ing the reader to make comparisons between budgeted increases in financial wealth and what actually happened. All assets are there at their market value; there is commentary by the directors on the difference between the bud*get and actual performance.*

The difference between the (hypothetical) market value of the company and the financial wealth is explained in what, it could be argued, is the best exposition of the meaning of "goodwill" to be found in the annual report of any UK company, real or imaginary, as follows:

"The market capitalisation of the company reflects a view of the expected future wealth to be generated by the operations of the company ... we have our established reputation for quality, our brand name, the quality and expertise of our management and staff, specialised equipment and a well-located fac*tory, which are extremely* valuable assets to the company in terms of their potential to generate cash flow."

The report includes an interview with David McGibbon, finance director of Grampian Holdings, in which he talks about the benefits and prob*lems of applying the Scots* accountants' proposals. He expresses enthusiasm for a cash flow statement (which he found much more useful than the traditional Source and Application of Funds Statement), but is sceptical about other aspects of the experiment.

He says that he can see no reason why company directors should publicly reflect on the value accorded to the company by the market; that is the market's business, he says. He is opposed to the publication of financial forecasts, saying they are for internal use only, and objects to detailed disclosure of profits by business segment, arguing that it would be helpful to competitors.

On balance, McGibbon thinks it was a worthwhile exercise, although he predicts that the costs of implementing the package of recommendations as a whole would outweigh the benefits to users of the accounts. The biggest cost would be that of valuing all the important assets on a net realisable basis.

Melody is a small company (financial wealth generated by operations was only £310,000), but the questions raised by the report and the commentary on it are stimulating and provocative. Next, the Scottish accountants want to try out the formula on a large company. This would be more complicated and costly than for a musical instruments manufacturer, but extremely valuable, none the less.

Given Sir Owen Green's interest in this subject, BTR would make an ideal candidate for the next stage in the experiment.

Making Corporate Reports Valuable, published by the Institute of Chartered Accountants of Scotland/Kogan Page, price £10.95; Melody plc, price £5. Both available from The Publications Department, Institute of Chartered Accountants of Scotland, 27 Queen Street, Edinburgh EH2 1LA.

John Lloyd *continues the series on east European companies with potential by examining the fundamental strengths of the Czechoslovakian aircraft group, Aero*

Isolated – but with a good engineering base

The Czechoslovak Aero group embodies the cream of the country's engineering skill. Zdenek Horcik, its director, thinks so anyway, and it is clear enough why he does so.

In part it is because the company has created an engineering and technical tradition which has seen it turn out some world-class military and civil aircraft since the 1920s – including the pride of the mid-1920s, the Avia BH-21, which "Red Devil" Captain Malkovsky spun and looped above the delighted crowds at air displays in Czechoslovakia and abroad – becoming the founding member of a school of Czechoslovak aerobatics.

In part also it is because of the continuing strength of the group, which exports over *90 per cent of its aircraft*, and gives work to 23,000 people in plants all over the Czech lands of Bohemia and Moravia.

But Horcik is conscious of the country's backwardness and he fears for the future. He says, self-deprecatingly and a little sadly, that: "We badly need the new developments. We have read the literature on technological innovation, but we were not able to see it for ourselves."

Like so much else in Czechoslovakia, the former political monopoly of the Communist Party imposed a degree of isolation which hurt, and increasingly hurt, the most advanced sectors of its sophisticated engineering base.

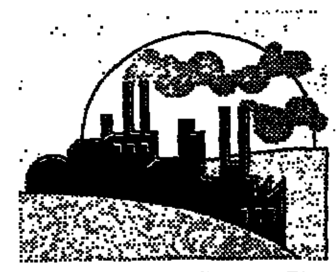
The wonder is not that that base lags behind; it is that it has remained so relatively advanced, its infrastructure so good, its skills and even its work habits relatively (to other central/East European countries) unimpaired.

In his head office which, like most Czechoslovak head offices looks like a block of cheap flats, with gauze curtains strung across the windows, Horcik and his colleagues reveal themselves as both proud and fearful, willing to change but puzzled as to how, as well as conscious of their inexperience in doing so.

In their Communist period, just past, they had in one sense a rather good life; their aircraft – the L-410 small passenger aircraft, the Z142 trainer, the Z37T *crop duster* and the Z50LS aerobatic model – all succeeded in the Soviet market, with others easily exportable to other Comecon and Third World countries. But many of these deals were part of barter arrangements.

From the late 1940s Czechoslovakia was the engineering king of Comecon; it could be and was rather snobbish about its comrades, but its better productivity and technology helped it to establish a living standard markedly above theirs.

However, this state of *affairs* depended on Comecon,



EASTERN PROMISE

and in particular Soviet, markets remaining stable and they are now falling apart rapidly.

By switching to hard currency trading from next year, the Soviet Union has signalled that it will no longer automatically exchange energy for products in a complex series of barter deals; instead, it will pick and choose among western as well as east European suppliers.

Aero, however, can count on continuing contracts; Horcik says that under next year's trade plan with the Soviet Union he expects much of his output still to find Soviet buyers.

That will depend on how much barter with Comecon remains; the USSR will probably continue to supply around 6m tonnes of oil to Czechoslovakia next year (down from over double that) and it is generally expected that it will take Czech products in return. Getting products on to this list is the all-important issue.

The Aero enterprise groups together some 15 companies, of which the prime contractors – Aero Vodochody, Let and Technometra Radotin – put the finished aircraft together. Others make hydraulics, engines, avionics and seats.

Some Austrian and British interest has been shown in Motorlet, the engine company, but Horcik appears neither over-enthusiastic nor hurried. "We must have our own plan before we go to a foreign partner," he says.

Yet on the face of it, the company looks like a good

> "We badly need the new developments. We have read the literature on technological innovation, but we were not able to see it for ourselves"

prospective partner. It claims a 20 per cent surplus on a 5bn crown turnover (c£100m); its management is decentralised; its aircraft sell well in the Soviet Union and the third world, and to a small extent in the west.

"We would be interested in foreign participation," says Horcik. "Above all we need marketing expertise. But this is not the car business. We sell not so much to customers as to governments. We still need our government to understand and to help us."

Like much of Czechoslovak industry, Aero is reluctant – for good as well as bad reasons – to let go of its past.

Previous articles in this series appeared on September 26 and October 1.

THE PROPERTY MARKET

THE EVENTS of last Friday cut through the clouds of misery engulfing the property market like a shaft of light. It dispersed some of the gloom, it gave new hope to the dispirited – and it illuminated even more clearly the sector's fundamental problems.

The picture it presented was that the cut in base rates and entry into the exchange rate mechanism (ERM) of the European Monetary System may help to stabilise the most jittery parts of the market, but is unlikely to make a significant difference to the speed of the industry's recovery.

The complexity of the issues was reflected in the gyrations of share prices, At first, the property sector – easily identified as domestic and highly-geared – outperformed the rest of the market. However, on Tuesday, a sober assessment of the implications sent the property market down faster than other shares.

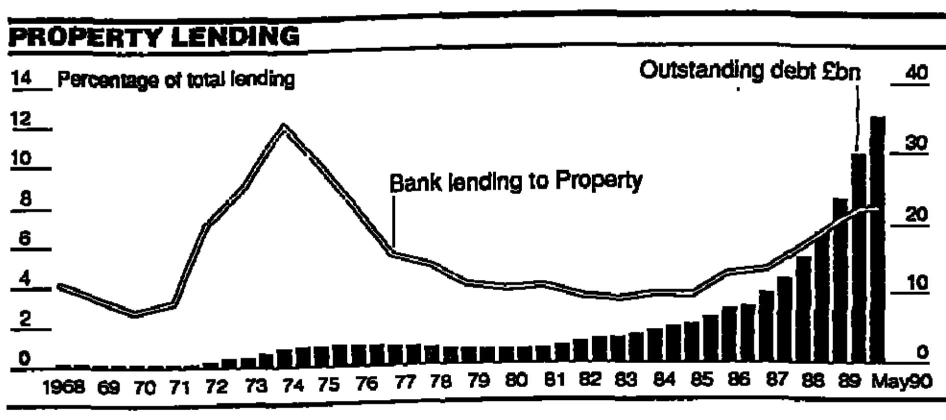
The highly-geared developers were flung into the limelight. By Monday, nine out of 10 of the top *performing shares – with rises* between 27 per cent and 75 per cent – were companies where interest costs exceeded rental income.

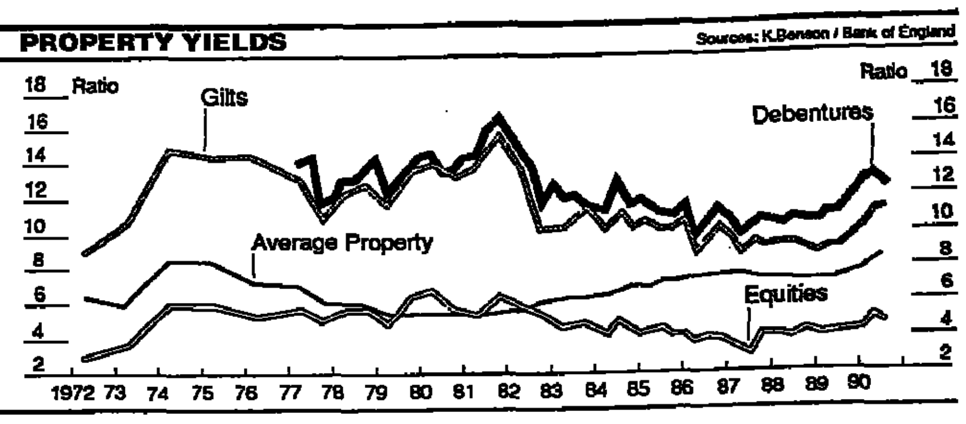
The market sees the future of

RENTAL GROWTH (%)

	Retail	Office	Industrial	All property
Year to Aug 1990	7.6	9.7	14.5	9.7
Quarter to Aug 1990	1.4	0.6	1.9	1.2
Quarter to Aug 1990	1.4	0.6	1.9	1.2
Month of Aug 1990	0.3	0.2	0.5	0.3

Investment Property Databank





ERM shines light on sector problems

By Vanessa Houlder

these companies in terms of life and death. With the collapse of Rockfort, Broadwell Land and Citygrove *fresh in people's minds,* the industry has been bracing itself for another spate of receiverships among developers. Repercussions are still expected from the September quarter day, when companies had to meet bank interest bills.

A 1 per cent reduction in base rates will not, in itself, make a significant impact on these companies' finances. "It amounts to just a 5 per cent reduction in interest costs. When translated into increased cash flow it will not make much difference," says Ken Caesar, head of corporate recovery at Richard Ellis.

None the less, there may be a psychological effect. "Friday afternoon was a watershed," says Stephan Miles-Brown of Knight Frank Rutley's corporate recovery unit. He reckons that after months without any sign of improvement on the horizon, the prospect of declining interest rates is giving banks the confidence to support troubled companies. Most observers agree, but also acknowledge the risk that bankers will demand their money back at the first sign of improvement.

The significance of ERM and lower base rates for the property market as a whole is far from clear cut. *The potential benefits concern:*

● Investment from overseas. In the view of Richard Ellis, entry into the ERM will encourage more investment from European and Scandinavian investors. Even strong supporters of the market, such as the Dutch and Swedes, have been *deterred by losses* directly attributable to fluctuations in the exchange rate. French, German and Italian investors stayed out of the market for the same reason.

Not everyone is convinced. In the view of Alec Pelmore of Kleinwort Benson Securities these factors may be outstripped by the problems of Japanese and Scandinavian buyers (many of whom bought at the top of the market on bank borrowings).

● Tenant demand. Companies do not move premises in times of uncertainty, so demand could be fuelled if membership of the ERM increased business confidence. That possibility, however, is tempered by *the risk of increased unemploy*ment, if sterling proves to be overvalued. This could have a significant effect on the industrial sector, to judge by the experience of the early 1980s when rising unemployment was the chief cause of the depression in the property market.

In a downturn, it takes time for increased tenant demand to mop up surplus space and so feed through to a revival of rents. "Looking at past performance, the property sector lags an economic recovery by 18 months," says Marc Gilbard of County NatWest.

This time round, the problem may take longer to ease in some markets. There is, for example, a vast oversupply in London office space, which may take years to clear. "The main problem with the sector is not high interest rates but oversupply. That is not going to go away," says Carl Gough of Phillips & Drew.

● Yields. *Over the past year the* Hillier Parker Average yield has increased from 7.3 per cent to an all-time high of 8.7 per cent. As interest rates and gilt yields come down, the yields available on property will look anomalously high. "We are buying prime provincial property at 8.8 per cent," says David Hunter of Scottish Amicable. "We are not far off the point where gilt yields are less than property yields." "It is almost inconceivable to see why yields should go up if property is showing long-term growth and is yielding as much as fixed interest instruments," says Gareth Evans of Charterhouse.

But how much difference will this make to the market's most fundamental problem: the reluctance of all but a handful of institutions to put more money into property?

It is unlikely to show any immediate impact, as the institutions have already allocated cash for the *last quarter. However, the start of* next year will see a gradual return of buying interest, in the view of Gareth Evans of Charterhouse.

Others disagree. David Doubble of Friends Provident thinks that the improvement in sentiment will bring just one or two institutions back to the market. "I don't think people will change their policy overnight. There is still some disquiet about oversupply."

At the heart of the issue is the question of the long-term intentions of the institutions. After a period of little investment, it is generally assumed that pension funds and life funds have an appetite to increase their weightings in direct property.

But research by Investment Property Databank suggests that there is little pressure on funds to increase their net property investment to maintain the desired weightings of property in their funds. Conditions have changed since the 1960s and 1970s when property was the "third asset" in institutional portfolios, providing long-term security and inflation hedging. In the course of the 1980s, the rise in equities helped institutions reduce the proportion of property in their portfolios from 18 per cent of assets to 11 per cent.

Some of the slack has been taken up by overseas investors, particularly those from Japan and Scandinavia. None the less, there is an awful gap between the amount of debt and available new equity in the marketplace. According to the Investment Property Databank, bank loans advanced to the property sector are equivalent to about half the total value of institutional property holdings. At the current rate of progress that debt is equivalent to 26 years' worth of net investment by the institutions.

In the end, banks will probably be forced to restructure much of the *mountain of short-term debt into* long-term debt. That will mean that property investments are valued in relation to the cost of long-term money. As a result, much depends on whether the exchange rate mechanism reduces long-term rates.

This week's events have had a psychological rather than a real effect on the property market. As Carl Gough puts it: "there is light at the end of the tunnel – for those with a powerful pair of binoculars."

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In accordance with the terms and conditions of the Notes, the interest rate for the period 10th October, 1990 to 10th January, 1991 has been fixed at 13.83% per annum. The interest payable on 10th January, 1991 against Coupon 1 will be £348.59 per £10,000 nominal.

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LEGAL NOTICES

SECTION OF THE TRUSTEE ACT 1925

Name of deceased: Margaret Eliza Brooke
Address. Park View Nursing Home, Old Park Road, Leeds 8. (formerly of 31 Talbot Grove, Roundhay, Leeds 8).
Description: Secretary (retired)
Date of Death: 12th June 1990
Names of Executors: Arthur Graham Sugden, Timothy Vollens
Name and Address of person to whom Notice of claims are to be given: J.H. Milner & Son, 48 Park Place, Leeds LS1 2LD
Date on or before which notice of claims must be given: At least two months after date of insertion.

Signed: J.H. Milner & Son
Address: 48 Park Place
Leeds LS1 2LD
Capacity: Solicitors for Executors

FLORENCE GUTHRIE

Notice is given that Asda Group plc intends to purchase, at par, seven (7) Cumulative Preference Shares of £1 each in Asda Stores Limited in accordance with the Articles of Association of Asda Stores Limited, from Florence Guthrie who has been untraceable for a period of more than 12 years, if no claim has been received by 8 November 1990. Florence Guthrie should contact the Company Secretary, Asda Stores Limited, Asda House, Southbank, Gt.Wilson Street, Leeds, LS11 5AD.

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
12	13	14	15	16	17	18

THEATRE

London

Jeffrey Bernard is Unwell (Apollo). James Bolam is the alcoholic journalist in Keith Waterhouse's fine play. Ned Sherrin directs. (437 2663).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Well directed by Trevor Nunn. (839 5972).
Burn This (Lyric) Blistering performances from John Malkovich and Juliet Stevenson in Lanford Wilson's play about the mismatch of opposites (437 3686).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. (071 867 1119).

New York

Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).
Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical. (246 0102).

Washington

Playboy of the Western World (Eisenhower). Abbey Theatre company brings what the Americans want to see to confirm of the view of the Irish as unscrupulous charmers. *Ends Oct 21.*

Chicago

The Iceman Cometh (Goodman). The Goodman opens its new season with a revival of vintage O'Neill starring film actor Brian Dennehy. Ends Nov 4 (443 3800).

Tokyo

Kabuki. Kabuki-za (541 3131) this month features two actors who have attracted new audiences to kabuki. The star of the 11am show, Ennosuke, specialises in quick-change routines and spectacular stage effects. At 4.30pm the gifted *onnagata* (specialist in female roles), Tamasaburo, stars in a love story about a priest and a geisha. Meanwhile, at the National Theatre (265 7411), the rarely-performed *Kagamiyama Sai Iwafuji* is being given (performance times vary). Both theatres have excellent earphone guide in English and English-language programme.
Noh. A double bill of the noh play *Yamamba (The Old Woman of the Hills)* and a kyogen comic interlude. Wednesday only at 10.30am. National Noh Theatre (0467 22 5557). Other noh theatres are open only at weekends. Check local press for details.
The English Shakespeare Company. Michael Pennington leads the cast in *Coriolanus* and *The Winter's Tale* (in repertory). Tokyo Globe Theatre (360 1151).
Phantom of the Opera (in Japanese). This highly successful production is a carbon copy of the London original, with the added advantage that one can ignore the banal lyrics, since they are in Japanese! Shimbashi Ebujoh Theatre (797 9601).
Fiddler on the Roof (in English). Topol once again takes the lead role in the musical that made him famous 20 years ago. Kan'i Hoken Hall, Gotanda (477 7625).

MUSIC

London

Royal Philharmonic Orchestra conducted by Nicholas Cleobury, with Steven Isserlis (cello) and Bernard Roberts (piano). Beethoven and Tavener. Royal Festival Hall (Mon) (071-928 8800).
English Chamber Orchestra conducted by Matthew Best, with chorus and soloists. Handel and Haydn. Queen Elizabeth Hall *(Wed) (071 928 8800).*

Paris

Orchestre Philharmonic de Radio France conducted by Marek Janowski, with Kyung Wha Chung (violin). Dutilleux, Bartok, Schumann (Tue). Bastille Opera (42302308).
Ensemble Orchestral de Paris conducted by Armin Jordan and vocal ensemble Audite Nova conducted by Jean Sourisse. Mozart's *Idomeneo* in concert version (Tues). Salle Pleyel (45638873).
Ensemble Intercontemporain conducted by Pierre Boulez: Stravinsky, Berio, Ferneyhough, Schoenberg (Tues). Chatelet (40282840).

Amsterdam

Royal Concertgebouw Orchestra conducted by Riccardo Chailly, with Arleen Auger (soprano). Wagner, Diepenbrock, Brahms (Fri, Sun matinee). Concertgebouw (718 345).
Christian Bor (violin) and **Rian de Waal** (piano). Franck, Respighi (Mon). Concertgebouw (718 345).
Amsterdam Bach Soloists with Paul Verbey (flute), Thomas Hengelbrock conducting (Tue). Concertgebouw (718 345).
Melos Quartet. Hindemith, Mozart, Janacek (Wed). Concertgebouw (718 345).

Brussels

Belgian National Orchestra conducted by Ronald Zollman with Mstislav Rostropovich (cello) playing Beethoven, Shostakovich and Van Rossum (Sat). Palais des Beaux-Arts.
Liège Philharmonic Orchestra conducted by Pierre Bartholomee with Jose van Dam (bass) and other soloists performing Franck's Les Beatitudes (Sun). Palais des Beaux-Arts.

Madrid

Spanish National Orchestra conducted by Garcia Navarro. Schumann, Turina, Falla (Fri). Auditorio Nacional de Musica (8337 01 00).
Margaret Price (soprano), accompanied by Graham Johnson (piano), sings works by Schubert, Schumann and Brahms (Tues). Auditorio Nacional de Musica (337 01 00).

Milan

Gennady Rozhdestvensky conducting two *Ravel cantatas* with soprano Mariana Nicolesco, Honegger's Pacific 231, Haydn and Casella (Fri, Sat). Also a recital by baritone **Hermann Prey**, singing Mozart, Schubert, Beethoven, Strauss and Mahler (Sun). Teatro Alla Scala (80.91.26).

Rome

Yefim Bronkman (piano) playing Tchaikovsky, Prokofiev and Brahms (Thur). Teatro Olimpico (393304).

New York

Moscow Soloists of the USSR conducted by Yuri Bashmet. Hindemith, Britten, Shostakovich, Tchaikovsky (Mon). Carnegie Hall (247 7400).
Vladimir Viardo piano recital. Masterpieces of the Russian keyboard literature (Mon). Alice Tully Hall, Lincoln Center. (874 6770).
Curtis Institute Symphony conducted by Otto-Werner Mueller with Isaac Stern (violin). Haydn, Hindemith, Beethoven (Tue). Carnegie Hall (247 7400).
Concert Royal Baroque Orchestra conducted by James Richman with Suzanne Peck (soprano), Howard Crook (tenor), Nathaniel Watson (bass-baritone). Rameau (Wed, Thur). Merkin Hall (362 8719).
Pittsburgh Symphony conducted by Lorin Maazel with James Galway (flute). Wagner, Neilkrug (Wed). Avery Fisher Hall, Lincoln Center (874 6770).

Washington

National Symphony Pops Concert conducted by Victor Borge. mixed programme (Thur). Concert *Hall, Kennedy Center* (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Sir Georg Solti. Bartok, Debussy, Shostakovich (Wed); Michael Morgan conducting. Still, Strauss, Diamond, Dvorak (Thur). Orchestra Hall (435 3322).

Tokyo

The Madrigal Chorus conducted by Marin Constantin. Suntory Hall (Mon) (780 5400).
Carlo Bergonzi with Vincenzo Scalera. Tenor arias, etc. Shinjuku Bunka Centre (Tues) (5485 1506).
Tonhalle Orchester, Zurich, conducted by Hiroshi Wakasugi. Beethoven. Suntory Hall (Mon) (366 9999).

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London sending reviewers scurrying to explain the artist's multiple vision. Burlington House, Piccadilly (287 9579).
Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.
Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Musée Marmottan, 2 rue Louis-Boilly, closed Mon.
Musée des Arts Decoratifs. Panoramic wallpapers. An endless choice of subjects and locations for the bored wealthy French bourgeois of the 19th century – Peru with lush palm trees, crusaders liberating Jerusalem or the 1830 barricades in Paris. 107, Rue de Rivoli (42603214), closed Mon, Tue.
Grand Palais. Biennale Internationale des Antiquaires. Under the sign of Love in Art, 150 antique dealers, both French and foreign, cover a wide range of periods and styles and present their prestigious exhibits in a *mise en scene* evoking the splendour of the 18th century. Ends October 7.
Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12 am to 10 pm, except Tuesdays. (40205168).
Haboldt and Co. The newly opened gallery presents in its *luxurious setting a selection of* old masters as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, rue du Fbg. St Honore (42895881).
Galerie du Carrousel. 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils, but the *speciality of this small left-bank* gallery remain drawings by the Ecole de Barbizon. Precursors of the impressionists, the Barbizon painters discarded both academic conventions and romantic dramatisation in favour of a simple, realistic vision of nature. 11, quai voltaire (42611075). Closed Sun and Mon.
Grand Palais. *Picasso. A portrait* of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition which has come to enrich, in lieu of death duties, the French national collections. Closed Tue, Wed late closing.
Picasso Museum. The restored *17th century Hotel Sale, provides* a fitting home for the world's largest collection of Picasso's work. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. (42712421).
Galerie d'Art Saint Honoré. The Magic of Flemish Art. The paintings assembled by Monika Kruch are of such remarkable quality. There is a touching version of Pieter Brueghel the Younger's Adoration of the Magi, where he is believed to have portrayed his father as one of the men following the three kings. The glory of colours and perfection of execution of Abraham Mignon's Bouquet of Tulips exemplifies the 17th century tulip-mania. 267, rue Saint-Honoré. Closed Sat, Sun; ends November 30 (42601503).
Musée Rodin. Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin, who opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac defies time. 77 rue de Varenne, Closed Tue.

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. (26 223978).

Brussels

Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily, ends Dec 30.
Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of Modern paintings recently *left to the museum* is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Monday.
Galerie de la CGER. The Belgian Dynasty and Belgium's Cultural Development, a show that marks the 40th Anniversary of King Baudouin's accession.
Musées Royaux d'Art et d'Histoire. Inca-Peru. An exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

Madrid

Fundacion Juan Marcha. Cars, Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart. Ends January.
Museo Espanol de Arte Contemporaneo. Domestic Scenes. Everyday images of life in Spanish homes seen through the works of a wide range of top rate artists over a 500-year period. Starting with old masters such as Zurbaran, Velazquez, Murillo and Goya, through Sorolla and Casas, moving on to Picasso and Dali, and ending with contemporary A. Lopez and Barcelo. Ends December 9.

Barcelona

Fundacion Miro. Joseph Beuys: Some 130 drawings on the theme of oriental philosophy. Closed Mondays. Ends November 18.

Rome

Palazzo Degli Esposizioni: Norman Rockwell. Oils, watercolours and sketches from the years *1915* to 1972 by a remarakable artist, who for over 40 years designed the front cover for the high-circulation Saturday Evening Post (over 3m copies in the early 1950s), whose name has become synonymous with an ultra-realistic style mixed with nostalgia. Ends November 11.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art *from the late 1870s* onwards.
Much of the pleasure of the exhibition comes from its sensitive layout by the architect, Gae Aulenti. Ends December 9.

Bologna

Pinacoteca Nazionale. Giuseppe Maria Crespi (1665-1747). Over 100 works by a late-flowering baroque painter, born in Bologna, whose works are now considered on a par with his distinguished predecessor, Guido Reni. Crespi's lavish and sensuous style owes much to Titian and Veronese, while his tendency to miniaturize the figures foreshadows the delicate works of another Venetian, Longhi, and the dramatic use of light and shade is not unlike that of Goya, 50 years later.

Düsseldorf

Kunstmuseum, Ehrenhof 5. Conrad Felixmueller. Around 80 paintings, 80 watercolours, drawings, 40 prints as well as five plastics by the expressionist painter are on display until October 28.
Kunstmuseum, Ehrenhof 5. Conrad Felixmüller: around 81paintings, 80 watercolours and drawings by the expressionist painter are on display. Until October 28.
Augsburg, Kunstverein, Toskanische Saeulenhalle, Zeugplatz 4. Around 100 paintings, lithographs, engravings by the Spanish painter Antoni Taepies, born in 1923, covering the last 10 years are to be seen until November 11.

Dresden

Albertinum, Georg-Treu-Platz 1. Some 350 works by 170 artists who were expelled by East Germany during 1949-1989. This presentation aims to explain the difficulties of working under the communist dictatorship. Ends December 2.

Hanover

Sprengel Museum. Kaethe Kollwitz (1867-1945). Eleven plastics, 70 paintings 70 prints of the politically radical artist are to be seen until October 28.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. With 50 of his own paintings and 120 by other artists it shows his impact on art in the period 1890-1914. Among the other artists are Matisse, Derain, de Valminck, Picasso, Kirchner. The exhibition moves to Amsterdam in Nov. Ends Nov 4. Goethestrasse 414300, Essen 1.
Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power. St Petersburg was the residence of Peter the Great and acted as an intermediary between east and west. The exhibition covers the period from the 18th to the 19th century of Tsars Paul I (1796-1801) and Alexander I (1801-1825) in its role as the political, intellectual and economic centre of Russia. This unique show gives a clear, variegated view of the historical importance of the period of the Russian empire, with paintings, furniture, sculptures, costumes and porcelain.

Berlin

Martin-Gropius-Bau, Stresemannstrasse 110. Bismarck's Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Otto von Bismarck, born 175 years ago in Schoenhausen, was the German Imperial Chancellor and Prussia's premier before he was sacked by the young Kaiser Wilhelm II 100 years ago. The current political changes in Europe, particularly in East Germany, underline the importance of this exhibition, which also attempts to explain what happened after the revolution of 1848. An accom*panying programme includes* literature, music performances, films and video. Until November 25.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends Jan 8.
Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals includes a majestic panorama with more than 300 works covering 30 centuries.
Pierpont Morgan Library. Treasures of Eton College Library covers 550 years of collecting, including drawings of royalty, manuscripts and books among 200 borrowed objects.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.

Chicago

Chicago Historical Society. A House Divided, America in the *Age of Lincoln. Documents,* mementos and personal effects of the Great Emancipator.
Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums. *Works from Poussin* to Matisse include Manet, Renoir, Cezanne and Gauguin.

Tokyo

Hara Museum. Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists – a good opportunity to observe new developments and directions in Japanese art. Opens September 26.
National Museum. Masterpieces of Japanese Art. This selection of 250 major works has been drawn together to mark the accession of the new Emperor. It includes rarely seen pieces from the Shosoin Treasure house in Nara, the Horyuji Temple, the Imperial Household collection and elsewhere. Closed Mondays.
National Museum of Western Art. William Blake. 200 idiosyncratic works by the English revolutionary, visionary, poet and painter. Part of the UK 90 Festival. *Closed Mondays.*
Azabu Museum of Arts and Crafts. Ukiyo-e prints and paintings of flowers and birds – from the Rockefeller collection in the US. Among the artists represented are Hokusai and Hiroshige.
Idemitsu Museum. Works by the Zen-monk/painter Sengai (1750-1837), whose ink-brush paintings are noted for their humorous touches but nevertheless rooted in his own deep spiritual consciousness.

Dutch exiles return home

Patricia Morison visits an exhibition in The Hague

Seventy ravishing Dutch exiles have returned to the Old Country for *Great Dutch Paintings from America*, at the Mauritshuis in The Hague until January 13. They have been allowed to usurp the permanent collection of the Mauritshuis, the elegant 17th-century townhouse which is one of the most pleasing galleries in the world. However, the exchange is a fair one, with Vermeer's "Girl Writing a Letter", four Rembrandt portraits, an arresting self-portrait by Matthias Sweertz, and enchanting paintings by de Hooch, Hobbema, Frans van Mieris, Ruisdael, and many others. The exhibition is sponsored by the Royal Dutch Petroleum Company, which is celebrating its centenary.

This exhibition focusses on American taste for Dutch art, which ran strong and deep from the early 19th century. It possibly had something to do with admiration for Dutch republicanism, and the appeal of an art which apparently celebrated bourgeois virtues of plain living and godliness. Young ladies writing letters and the kitchen-maids plucking ducks used to look like examples of feminine industry. Now we learn to see the letters as *billets-doux* and the fowls as a symbol of pleasures other than those of plain Dutch cooking.

For whatever reason, huge shoals of Dutch art have been netted by American collectors. As well as the major galleries, lovely and unfamiliar masterpieces have been loaned from places like Champaign, Toledo, Coral Gables and Providence. If you are Dutch it could be a touch melancholic to contemplate the huge shoals of 17th-century Old Masters which American collectors netted. But most of the paintings left Holland long ago, and in many cases have not been seen there for two centuries.

The arresting work we see at the top of the stairs is Rembrandt's portrait of Joris de Caulerij, a swarthy young patriot dressed as an officer of The Hague's militia. Joris is now in the museum in San Francisco; but in 1890 Abraham Bredius, director of the Mauritshuis, wanted desperately to save Joris for the nation. There were, he pleaded, only 21 Rembrandts left in Holland. But he lost, outbid ten times over by Charles Yerkes, the Chicago "Trolley Car King".

To the resentment of Bredius and others, "the yellow menace" had triumphed once again. That "menace" was American gold, which in the Gilded Age of American collecting before income tax and the First World War saw the creation of the great collections. The Dutch heritage lobby founded the Rembrandt Society to stem the continuing flow of art out of the country. Sometimes they won, as when it saved Vermeer's "Kitchen Maid" now in the Rijksmuseum; generally it lost.

If you want to follow the saleroom sleuthing and the peregrinations of the pictures, buy the catalogue which is rather verbose but absorbing. It is a splendid inducement to visit little-known American galleries. How I envy those who have made their pilgrimage to the Bob Jones collection of Sacred Art in South Carolina, where religious music plays to enhance the message.

Anyone interested in that endangered species, the "insanely rich" American collector, will also enjoy the catalogue. J. P. Morgan, Walters, Mellon, Widener, they are all here. John Ringling, who owned circuses, would tour the continent looking at the same time for tiger-trainers and Old Masters. Yerkes, the some-time embezzler, offered [dollars] to buy Trajan's Column in Rome. Widener and Walters bought a packet of fakes, which experts like Bredius seized on as proof that the newcomers were unworthy of their purchases. These secretive millionaires, they complained, kept their treasures locked away. It was exactly the cry of the British press two years ago, when the unsporting Japanese collectors were sweeping the board.

But who owned what, and when, is not really the point of this exhibition, one so full of fine paintings you need a week to enjoy it to the full. Two self-portraits stay in the mind. Gerrit Dou at 50 stands in his fur hat in a loggia, behind him the monumental gate of Leyden. He is the urban gentleman, while the eccentric Michael Sweerts shows himself holding his brushes and bareheaded, in front of a romantic Italian landscape.

A wonderful Aart de Gelder shows Esther working with her uncle Mordecai on the second Purim letter. Rembrandt's last pupil has shown Esther richly dressed, in smouldering crimson glinting with gold. But she is no empty-headed fashion plate, for thanks partly to our low vantage-point of the pair, de Gelder wonderfully suggests and atmosphere of tense, intellectual involvement.

The exhibition is strong on the Italianate Dutch masters, some of them allowed to leave Holland by the Rembrandt Society because they were considered not "properly" Dutch. There is a ripe Honthorst of a lady advertising herself and Baburen's "Procuress", a work which Vermeer owned and put in the background of his "Lady at the Virginals" in the National Gallery. One of the most delicious images of the exhibition is "A Moor Offering a Parrot to A Lady", by Nicholas Berchem, in the Wadsworth Athenaeum at Hartford.

A dazzlingly dressed lady in azure silk is confronted by an equally elegant blackamoor who, the catalogue notes apologetically, in the 17th century would have been seen as thoroughly lecherous. He implores her to take the scarlet parrot from his finger. Will she take it? Her servant seems to suggest she should, while the musicians play and Venus on her pillar gazes demurely down. It is a lovely work in a show not to be missed. It travels to at the Fine Arts Museum of San Francisco (16 February to 5 May, 1991).

'Young Woman holding a Medallion' by Gerrit van Honthorst

Paul Taylor

LYON BIENNALE

The contrast between light and darkness, between good and evil, is central to Paul Taylor's creativity. His dance pieces have, for many years, exposed the angelic and the bestial in man, contrasted the beatific and the brutal in society. We have but to think of the early *Aureole* and *Scudorama*, and the more recent *Last Look* and *Mercuric Tidings*, to see how this polarity has constantly marked Taylor's work.

At the Lyon Dance Biennale, the culminating performances were given by the Taylor company at the end of last week, with Taylor's newest piece – *Of bright and blue birds and the gala sun* – receiving its European première. This evening-long "allegory" (so the programme describes it) swings pendulum-like between the fair and the foul and ultimately, I suppose, between Heaven and Hell. A first view – misty behind a scrim and like a distant and alluring vision – is of a world of blessed peace and joy. Taylor's title comes from a poem by Wallace Stevens, but the cast list is preceded by Blake's poem *Ah Sunflower! weary of time* with its reference to "that sweet golden clime/ Where the traveller's journey is done". We see a small flight of steps, a huge curved silver fish skied above, and Elie Chaib as observer/guardian at this gate, with Joao Mauricio as attendant figure. The cast, in vaguely mediaeval dress, spring and sport with Taylorian serenity and joy, but they quit this Eden as their movement seems galvanised by anxiety. It is as if too many volts were shot through them, their limbs twitching and jiggling with uncontrolled frenzy. (This section was seen three years ago as a separate piece,*Syzygy*.

The sense of a journey between extremes of serenity and degradation continues as a state of grace reasserts itself, and then, in the second part of the evening, we make what seems a descent into hell. Here Chaib becomes master of diabolic revels, but at the last, moral and physical order is restored and the cast are seen as a community of happy souls. The trick, Taylor's signature, is that Mauricio – who has been the acolyte of whatever power dominates each section – is seen in the closing moments as reluctant to abandon those attitudes which identity the beast in man. The old Adam is not easily to be saved.

If the general plan of Taylor's work is clear to understand, the more precise details are ambiguous, and an audience is free to interpret the action as it wills. Impeccably danced, shot through with felicitous choreographic images, *Of bright and blue birds* seems a culminating statement about themes that have long concerned Taylor. His view may no longer be fresh , but the formula continues effective, and we are touched by the artless directness as well as the artful sophistication of his language. Excellent design by Santo Loquasto; an effective new score by Donald York; fine performances by the entire cast.

About the Lyon Biennale itself I record that this year's celebrations, dedicated to American Dance, united many of the greatest figures in the field. For Guy Darmet, director of the Biennale as of Lyon's Maison de la Danse, it is a triumph, and for Lyon it is an assertion of the city's real significance in the dance world. For the regional and municipal sponsors and the commercial benefactors – who provided more than £1.5m – the reward is a festival of unique international importance, attended by 73,000 spectators. It is, in every sense, a magnificent achievement.

Clement Crisp

Mad Forest

ROYAL COURT

Possibly Caryl Churchill's reputation as a playwright will recover after this performance of *Mad Forest* at the Royal Court. It is also possible that it seemed a much better text when it was first performed in the middle of this year shortly after the Romanian elections. But Ms Churchill has left herself with a good deal to live down.

Mad Forest is about the Romanian tyranny of Nicolae Ceausescu, its overthrow last December and the subsequent confusion. The first two acts are mainly documentary. They show the Romanian people suffering from a mixture of food shortages and fear. There is then the exhilaration at the popular uprising. In what seems to me the ultimate in condescension, the characters here speak their lines in some kind of broken English.

The rest of the play is about the reaction and the uncertainty as to what really happened between December 21, when the uprising began, and December 22 when it looked as if a more orthodox communist dictatorship was fighting back. "Was it a putsch or a revolution?" as one of the characters asks. By this time they are talking something like normal English. The play ends with a bizarre ceremony where prejudices between the Romanians and the Hungarian minority in their midst seem to be as central as anything else.

There is some mild *Schadenfreude* in watching the British left attack east European dictatorships now that they have been overthrown. But that is a minor point. The main question is whether what results is much use as a play. Inevitably there will be comparisons between Ms Churchill's effort and *Moscow Gold* by Tari Ali and Howard Brenton performed by the Royal Shakespeare Company at the Barbican. The latter is about Mikhail Gorbachev's attempt at peaceful revolution in the Soviet Union.

The differences are as follows. The Ali/Brenton script is on the whole rather well researched. That matters because it shows how the past helps to explain the present. Also, the Royal Shakespeare production pulls out all the theatrical stops. The key actors look like the characters they are performing: Gorbachev and Boris Yeltsin, for examples. They make it real and they show that it matters. It is, after all, rather a good story, the outcome of which is unknown.

Moreover, the RSC production uses imagination. If the authors want to make something up, they do it unashamedly – like bringing in Lenin. They use the stage and all its devices, and they make jokes. By the end of *Moscow Gold* you have not only enjoyed yourself in the theatre: you have been through an intelligent romp around what Gorbachev is trying to do. The play also has a clever ending

Mad Forest, by contrast, is flat. It cannot even make much theatre out of mimicking the execution of the Ceausescus. There are no jokes, no imagination and no intellectual content. The direction is by Mark Wing-Davey.

Malcolm Rutherford

International Poetry on the South Bank

The two Californians seated behind me in the Purcell Room were debating the matter before the first poet come on stage:
He: "It's not the same thing, is it?"
She: "Of course not! The prose writer has up to a thousand pages to say it, whereas a poet's got to say it in a few lines ..."

This is one of the reasons that people are afraid to read 20th century poetry. It is too compacted, too intense, too uncompromising. It never allows you to relax into it. It seems to be a cerebral pact between the poet and a small, devoted audience of initiates; and the understanding and, god forbid, the enjoyment of poetry can only be the consequence of strenuous intellectual effort. But need that be so?

One of the best ways of testing that notion – and of giving poetry back its human face – is by listening to it being read by the poets themselves. And the South Bank Festival of International Poetry enabled us to do just that last week. The poets, who had come from all over the world, included Derek Walcott from St Lucia, Joseph Brodsky (late of Leningrad), Duoduo from China, Solveig von Schoultz from Finland and the great Polish Poet Czeslaw Milosz, a perpetual émigré who has spent the last 30 years in California.

The message of the festival – as proclaimed on the backdrop to the podium, a massive, fissured globe encircled by the poets' names – seemed to suggest that we were not only witnessing the international brotherhood of poetry, but testifying to its political importance as well. "Poetry is dangerous", the slogans read. "It confronts the truth ... asks awkward questions."

The poets from Eastern Europe there who read, all represented in Penguin's new *Child of Europe* anthology, would have been the first to agree. For them, the writing and the publishing of poetry have indeed been dangerous activities, acts of conscience perpetrated in defiance of the state, punished at best by non-publication and at worst by incarceration. The best of these were the laconic, gently incisive poems of Tomasz Jastrun, who was imprisoned during the period of martial law – a time "many centuries ago and yesterday", as he so memorably put it – and is now a Polish diplomat in Stockholm, still swearing a fidelity of sorts to President Jaruzelski.

The best attended reading of the Festival – and the culminating event of the Poetry Book Society's International Day – was that of Joseph Brodsky and Derek Walcott. This was an extraordinary, flawed occasion. Brodsky looked and sounded exhausted. He read his own difficult English translations of his Russian poetry so quickly that every third word was lost to us; and the Russian versions that followed thundered down upon our heads like breakers, pummeling the audience into submission.

Walcott read for half and hour from his new, book-length poem, *Omeros*, the longest narrative poem to have been published in many years. The poem's principal protagonists are St Lucian fishermen who bear the names Hector and Achille, and the poem explores, amongst other things, the reason for their Homeric identities. In the visionary section that Walcott read, Achille is drawn across the Atlantic in his frail pirogue by a sea swift back to his roots in Africa, where he meets his father who questions him about his identity. As in all of Walcott's poetry, the visual, tactile qualities of that tiny island in the Caribbean – its vegetation, its people, its timeless way of life – are evoked with an extraordinary sureness of touch.

Walcott's reading was grave, sombre, almost magisterial; Paul Muldoon's the previous evening, on the other hand, had been almost effortlessly entertaining – in spite of the fact that the poems he read from his new collection, *Madoc*, proved to be an infuriating intellectual tease. But there was no denying the human face of poetry on this delightful man.

Michael Glover

Teresa Berganza

COVENT GARDEN

Wednesday's recital started an hour late – there had been an accident to the piano on the stage. One went in feeling grumpy and came out an hour and a half later (encores included: rather skimpy rations) floating on a cloud of happiness. That's one small barometer measurement of Miss Berganza's achievement as a recitalist.

She has been singing before an international public for more than 30 years. She looks and, more important, sounds wonderful. The core of that exquisitely fine light-lyric mezzo-soprano voice is preserved – unscratched on its surface, untainted in its substance, not large but as effortless as ever (even in Covent Garden's recital-unfriendly acoustics) in floating a pure, steady legato line. She knows what it can no longer do (sustain notes high above the stave, for instance), and concentrates with supreme economy and poise on what it can.

For Miss Berganza commands, in other words, that distillation of communicative skills, that wisdom in knowing exactly how and where to point up or flick past details, that is the special reward of the mature artist. In the first half the concert, with (rather slight) arias by Scarlatti and Sor to begin with and Rossini's *Regata veneziana* to close, the pleasures came gently – supple melodic lines and floridly ornamented ones graciously unfurled, a range of ochre-silk tones revealed, wit and charm smilingly touched in. Miss Berganza's pianist, Juan Antonio Alvarez Parejo, made here a too modest showing, competent but faceless.

In the second, however, with Spanish songs by Leoz and Nin and then the Falla Seven Spanish Folksongs, the heat was turned up – the pianist much more in his interpretative element, the singer's extraordinary (and peculiarly Iberian) gift of passionate restraint ever more deftly demonstrated. Her Falla is quite unlike Victoria de los Angeles's: darker, more fatalistic. The encores – enchanting reminders of Miss Berganza's Covent Garden Rosina and Carmen (a Habanera of miraculously proud wit and vocal refinement) followed by the showpiece from the zarzuela *El barberillo de Lavapiés* – summed up the evening.

Max Loppert

Rafts and Dreams

THEATRE UPSTAIRS, ROYAL COURT

Think of the most complex route from the toilet of a Tufnell Park maisonette to an abandoned mobile eye hospital on a tropical island and you have a fair idea of the complexity of Robert Holman's new play.

Holman takes the following path. Hetty, a prisoner in her own home because of her obsession with cleanliness and her husband Leo's lack of sympathy, is encouraged to confront her fear of dirt by Neil, their medical student neighbour.

This is is the prelude to an environmental catastrophe (the polar ice-caps have melted) to set alongside the small-scale ecological drama (the attempted rescue of a near-extinct species of crane) of Holman's last play, *Across Oka*.

When Neil (Jonathan Cullen – looking appropriately like a younger Jonathon Porritt) helps Leo uproot a tree-stump in his garden they discover that London is about to be swamped by an underground lake and fashion a raft for themselves just in time. As others have realised – from Shakespeare to Roy Plomley – stranding your dramatis personae concentrates the audience's mind wonderfully.

Here, the theatrical device is most compelling when the play casts loose from reality altogether. One moment Hetty (a wide-eyed and winning performance from Adie Allen) is steeling herself to overcome her phobia by touching the rim of the Armitage Shanks; the next she is floating through a boundless ocean of debris on the remains of her living room.

Holman, and director John Dove, do not play this for laughs, although there is fine humour in the piece: the dreams and fears of the five principals are voiced straight, almost without reference to their bizarre situation and it is while disbelief is completely suspended that the drama works best.

But the confident symbolism of the first half is compromised later in the play, when it threatens to turn into a tale of suburban Londoners marooned on an island. William Golding did this sort of thing better in *Lord of the Flies* and once the spell is broken, the drama seems faintly absurd, and the way in which each character has to confront his or her fear or dream too programmatic.

Holman also weighs down the cast with a raftload of bland aphorisms ("There's no reason to be afraid of failing: it's trying that matters" and so on). In the end, sadly, it is the audience which loses sight of the horizon, adrift on an ocean of big ideas.

Ilan Ostrove, Natasha Pyne, Maureen Hibbert and Jason Watkins (as Leo) are the other survivors. The striking design is by Michael Taylor.

Andrew Hill

ARTS GUIDE

October 12-18

OPERA AND BALLET

London

Royal Opera, Covent Garden. Verdi's *Attila*, one of the most exciting of his early-period operas, receives its first ever-production at Covent Garden. Edward Downes conducts and the production is by Elijah Moshinsky. Further performances of the dismal new production of *Siegfried*, latest instalment in the Götz Friedrich "time-tunnel" production of Wagner's Ring.
English National Opera, Coliseum. More performances of the cogent, boldly Expressionist new production of *Wozzeck*, staged by David Pountney, with Donald Maxwell in the title role; and of *The Magic Flute* in Nicholas Hytner's fresh and uncluttered production.

Paris

Théâtre de la Ville. Two last evenings of Angelin Preljocaj's premiere of *Amer America*, where eight dancers enact the hopes of the American dream of immigrants set against the harshness of reality (42742277).
Opéra, Palais Garnier. Soirée Serge Lifar. The first programme of *Suite en blanc*, *Istar* in Leon Bakst costumes, *Variations* and *Mirages* is followed by the second programme of *Suite en blanc*, *Icare*, *Romeo and Juliette* and *Mirages* (47425371).

Brussels

Cirque Royal. Maurice Béjart and The Ballet Lausanne in *Pyramide*.

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders Opera in Richard Strauss's *Elektra*, conducted by Stefan Soltesz.

Amsterdam

Muziektheater. The National Ballet with *Under My Feet* (Van Dantzig/Schat), *Pyrrhic Dances II* (Van Schayk) and a new ballet by Jan Linkens. The Netherlands Opera in Mozart's *Entführung aus dem Serail*, directed by Helmut Polixa. Netherlands Chamber Orchestra is conducted by Hartmut Haenchen. (255 455).

The Hague

AT&T Danstheater. Netherlands Dans Theater in *La Cathédrale engloutie* (Kylian/Debussy) and the world premieres of new ballets by Philip Taylor and Jean-Christophe Maillot (360 4930).
Circus Theatre. Moscow State Ballet Theatre with *Creation of the World* (Sat) and *Romeo and Juliet* (Kasatkina/Prokofiev) (355 8800).

Madrid

American Ballet Theatre. This acclaimed US company, now on a world tour, stops in Spain for this year's Madrid autumn festival, dancing *Giselle* (Wed, Thur). Palacio de los Deportes (401 91 00).
Teatro Lirico Nacional la Zarzuela. *Don Juan* adapted by Miguel Narros. Choreography by Jose Antonio and music by Jose Nieto, accompanied by the Madrid Symphony Orchestra conducted by E. Garcia Nieto. Ends 21 October. (429 82 25).

Berlin

Opera. *Der Barbier von Sevilla* is a well done repertoire performance. The new *Salome* in Peter H. Weigel's production has Catherine Malfitano outstanding in the title role, Horst Heistermann (Herodias) and Simon Estes (Jochanaan). The British choreographer Christopher Bruce makes his debut with two ballets *Swansong/The Dream is Over*, danced to music by John Lennon and Philip Chambon. *Die Zauberflöte* features Angelika Lutz making her debut as Queen of the Night. *Arabella* returns, conducted by Guiseppe Sinopoli with Lucia Popp in the title role. *Zar und Zimmermann* rounds off the week.

Hamburg

Opera. *Carmen* has a first-rate cast led by Alicia Nafe in the title role, Angela Maria Blasi, Michael Sylvester and Harald Stamm. *Die Zauberflöte* returns. John Neumeier's ballet, danced to Mahler's music with singers Iris Vermillion and Franz Grundheber.

Frankfurt

Opera. William Forsythe's ballet *The Vile Parody/In the Middle/New Sleep*, danced to music by Bach was well received when it opened. Kurt Weill's *Aufstieg und Fall der Stadt Mahagonny* produced by Arie Zinger will have its premiere this week. Guest appearance of the Tokyo Grand Kabuki Theatre with traditional dance and songs.

Bonn

Opera. The successful Graham Vick *Rigoletto* production has a new cast led by Dano Raffanti, Ingvar Wixell, Mariella Devia, Stephen Dupont. A Gabriela Benackova Lieder recital with song by Caccini, Pergolesi, Schumann, Strauss, Tchaikovsky and Dvorak. *Fausts Verdammung* expertly conducted by Serge Baudo. Youri Vamos' ballet *Coppelia* rounds off the week.

Cologne

Opera. *La Finta Giardinera* brings Hilary Griffiths, Teresa Ringholz, Janice Hall, John la Pierre and Jake Gardner together. *Orfeo ed Euridice* is well sung by Kathleen Kuhlmann and Jund Ae Lee in the title roles.

New York

Metropolitan Opera. *Boris Godunov*, conducted by Yevgeny Svetlanov, in August Everding's production. Franco Zeffirelli's production of *La Bohème* continues along with *Rigoletto* conducted by Guido Ajmone-Marsan with Jerry Hadley in Otto Schenk's production (362 6000).
New York City Opera. The premiere of John Lehmeyer's production of *Martha*, conducted by Arthur Fagen. Schoenberg's *Moses und Aron* is conducted by Christopher Keene in Hans Neugebauer's production with Richard Cross and Thomas Young in the title roles. (870 5570).

Washington

The Washington Ballet. Mixed programmes. Opera House, Kennedy Center (467 4600).

Chicago

Lyric Opera. Harold Prince's production of *The Girl of the Golden West* premieres, conducted by Bruno Bartoletti. Wolfgang Brendel has the title role in *Eugene Onegin*, conducted by Bruno Bartoletti in Pier Luigi Samaritani's production, with Anna Tomowa-Sintow as Tatiana and Gosta Winbergh as Lensky. *Alceste* continues with Jessye Norman in the title role in Robert Wilson's production conducted by Gary Bertini. Civic Opera House (332 2244).

Tokyo

Moiseyev Ballet. The famous folk dance company from the Soviet Union. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (587 0571).
Deutsche Staatsoper, Berlin. *Die Zauberflöte*. Tokyo Bunka Kaikan (235 1661).
Bolshoi Ballet. Gala (includes Act II of *Swan Lake*). Showa Women's University Hitomi Memorial Hall, near Sangenjaya (235 1661).

SALEROOM

Sotheby's to sell Ford collection

Sotheby's has beaten off the challenge by Christie's and secured the Impressionist and Modern art of the late Henry Ford II. It will be sold in New York in an evening auction on November 12 and is expected to raise in excess of $50m.

It was almost certainly the willingness of Sotheby's to take a risk in an uncertain market and offer a guarantee to the Trustees which secured the property. Christie's is much more cautious about these matters. The fact that Henry Ford was vice chairman of Sotheby's must also have helped.

The 36 works include a Cézanne landscape of his father's estate in Aix, with an estimate up to $9m and a portrait by Degas of his father and the family friend, the Spanish musician Lorenzo Pagans, which should reach $2m. A Pissarro painted in London, a view of a 1897 Jubilee Fête in Bedford Park, carries a $1.5m top estimate. There are several works by Picasso, including an early, 1900, pastel "La Bohemienne", which was probably painted in Barcelona before he left for Paris (estimate up to $4m). There are also works by Bonnard and Matisse, and a Modigliani portrait of the American founder of Synchronism, Morgan Russell, is given a hefty estimate of up to $10m. Among the modern masters are paintings by Chagall and Joan Miró.

In addition the Henry Ford II Family Collection has added to the auction Renoir's "La Tasse de Chocolate", which was painted in 1878 and features his favourite model, Marguerite Legrand. It gave a great boost to his career and should sell for up to $18m. It is noticeable that the estimates on the pictures from such a good source look modest compared with the equivalents of the auction a year ago when the Impressionist and Modern market was still considered to be at its peak.

Rugs and carpets are always quite difficult objects to dispose of at auction but Sotheby's did reasonably well yesterday, raising £751,795 but with over 35 per cent unsold. The great achievement was an extraordinary price of £236,500 paid by the Textile Gallery of London for a shrub and arabesque Kerman carpet of around 1600. Measuring 11 ft 6ins by 9 ft 5 ins it carried a top estimate of£120,000.

Christie's auction of English furniture brought in £460,075 with 13 per cent unsold, a fair result. This is still a firm market and a Regency mahogany twin pedestal Cumberland-action dining table excelled its £8,000 top estimate at £28,600.

Antony Thorncroft

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The spread of nuclear arms

THERE ARE other considerations behind the suspension of US economic and military aid to Pakistan besides Pakistan's nuclear weapons programme, but that programme is by no means only an ostensible reason. Concern about the proliferation of nuclear weapons has been heightened by the crisis in the Gulf. Although Iraq, unlike Pakistan, is a signatory to the Nuclear Non-Proliferation Treaty (NNPT), it is widely believed to have a nuclear weapons programme, especially since Iraqis were caught smuggling what appeared to be nuclear triggers through Heathrow airport earlier this year. Some western comment even gives the impression that the main objective of the West in the present crisis is not to restore Kuwaiti sovereignty but to prevent Iraq from becoming a nuclear power.

Meanwhile the fourth five-yearly Review Conference of parties to the NNPT has come and gone in the midst of the crisis, virtually unnoticed in the western media. It was held in Geneva from August 20 to September 15. On a number of important issues it achieved significant progress. Key suppliers of nuclear materials, notably Germany and Japan, agreed in future to make such supplies conditional on all nuclear materials and plants in the recipient state being subject to international safeguards, and constructive proposals were made to improve the inspection capacity of the International Atomic Energy Agency.

No agreement

Yet the conference broke up without being able to agree on a final document: a somewhat ominous fact given that the next conference, in 1995, will have to decide "whether the Treaty shall continue in force indefinitely, or shall be extended for an additional fixed period or periods".

The main issue on which agreement could not be reached concerned Article VI of the Treaty, under which all parties undertake "to pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a treaty on general and complete disarmament under strict and effective international control". Most non-nuclear states believe that the best way for nuclear states to fulfil this undertaking at the present time would be to negotiate and sign a comprehensive test ban treaty. This the US and UK refuse to do, arguing that nuclear testing is absolutely essential to sustain their national security.

Basic contradiction

This Anglo-American position is in contradiction with the determination expressed in the preamble to the 1963 Partial Test Ban Treaty, and repeated in the preamble to the NNPT itself, to "seek to achieve the discontinuance of all test explosions of nuclear weapons for all time". Behind it lies an even more fundamental contradiction, between the philosophy of the NNPT, which is that nuclear weapons are a danger to mankind and should only be retained in the hands of a few powers in order to lessen the danger of their being used, and the philosophy of Nato as most recently expressed in the London Declaration, which aims at "ensuring that there are no circumstances in which nuclear retaliation in response to military action might be discounted".

That Nato philosophy was perhaps unavoidable so long as nuclear weapons were the only effective counter to Soviet conventional superiority. But now that superiority is being eliminated, both by unilateral withdrawals and by the treaty on Conventional Forces in Europe to be signed next month. Nuclear proliferation is now a much more real threat to the security of Nato members than Soviet conventional power. Some nuclear weapons must remain in responsible hands, to deter their use by irresponsible ones. But to go on asserting that they are indispensable to a state's security against conventional attack simply incites more and more states to seek to acquire them. Britain and the US should now adopt the doctrine of "no first use", and should move to conclude a comprehensive test ban treaty with the other nuclear powers as soon as possible.

Transport and the Tories

THE DEBATE on transport at the Conservative Party conference this week showed that Mr Cecil Parkinson, the Secretary of State, has failed to convince the party faithful of the virtues of a market-orientated transport policy. Delegates revealed some surprisingly dirigiste tendencies, including a demand that long-distance freight should be directed on to the railways. They were not satisfied with the news that £1.4bn of public funds would be committed to building the east-west cross-rail project to improve transport in London. After the earlier announcement that the subsidy to British Rail's commuter services would be increased, the government is clearly prepared to increase public expenditure to placate commuters: but they want more.

More investment to produce better services seemed to be the strongest demand. When investment in British Rail and London Underground services is rising rapidly and is largely constrained by management's ability to handle the projects, the failure of communication between Mr Parkinson and the party faithful becomes more striking. Expansion might have started sooner if public investment had not been so tightly constrained in the past decade, and the government is open to criticism on that account. But it is unrealistic to ask for more now.

Lag time

What the delegates knew all too well was that public transport to and in London is frequently overcrowded, and that they have yet to benefit from the new investment. The lag between decisions to invest and better service is several years, even for relatively simple improvements. Increasing capacity on an existing underground line can take five years; building a new line such as the cross-rail may take a decade. Mr Parkinson's successors are likely to reap any reward there may be from the current programmes.

Delegates could have more justifiably argued that the government has been lax in setting quality targets for public transport services. Such targets were only set last December for the London Underground; these targets, and those for British Rail's commuter services, are not specific enough either to produce clear operational objectives or to be easily monitored.

The exposition of the case for a market-based approach, which sought to make the transport system more responsive to consumer demand, should be Mr Parkinson's task. He starts under a disadvantage, in that the opportunity to apply this principle to the environmental problem has been fumbled. For example, the case for charging cars to use congested streets has been brushed aside.

Community benefits

Mr Parkinson should try harder to demonstrate that public transport is a service that should only be subsidised if the subsidy creates benefits for the community as a whole, not just for the recipients; and that the subsidy to commuter travel in London is difficult to justify in these terms, because there is no obvious reason to encourage employment in so congested an area.

Mr Parkinson should go on to explain that an efficient transport system is one in which travellers choose the means of transport that suits them best, in full knowledge of all costs; that he is seeking to create such a system by using the tax system to charge vehicles for the use of the roads and for the environmental and health damage they inflict, while reducing subsidies for public transport where they are not justified by external benefits.

This approach he could then contrast with that of the Labour Party which promises to spend more money than he is spending on public transport in the unrealistic belief that road congestion could be reduced by increasing the capacity of the railways. He should point out that there are no simple and easy answers to the problems created by growing affluence and growing traffic – but that the most efficient and equitable solution could be obtained by higher charges for all forms of travel, but particularly for those that generate the greatest environmental damage and the most congestion.

Uncertainty surrounds the outcome of the crucial Uruguay Round of the Gatt talks, writes **William Dullforce**

Juggling with the tricks of the trade

IN 50 days trade ministers will start arriving in Brussels to conclude the most ambitious attempt ever made to liberalise world trade. Their meeting will determine the rules and set the shape of the system under which international business will trade up to and probably well beyond the year 2000.

Yet nobody can clearly discern the results that will be placed before the ministers from the trade talks, known as the Uruguay Round, conducted for the past four years under the auspices of the Geneva-based General Agreement on Tariffs and Trade (Gatt).

Broad differences over core issues, such as the reform of farm trade, textiles and clothing and a regime for liberalising trade in services, have still to be resolved. In other areas, where the options have been clarified, negotiators are waiting for decisions from their governments. Seen from the negotiating arena in Geneva the problems lie principally in the capitals of the two biggest trading blocs, the European Community and the US.

In Washington powerful economic interests are battling for the ear of Congress and inhibiting the Bush administration's ability to take the decisions it would like to in Geneva. In Brussels the crucial decision appears to be at the mercy of one power group, the farmers.

American textile, shipping, aviation and steel industries have decided that their present trading environments are threatened by the agreements being shaped in Geneva. They are busily promoting political resistance to the policies pursued in the Round by Mrs Carla Hills, US trade representative. In so doing they are ranging themselves against the bankers, insurers, chemical manufacturers and exporters of grains, who expect the Round to provide substantial new business opportunities.

In Brussels farmers supplying a mere 3.1 per cent of the European Community's Gross Domestic Product have so far succeeded in making their future the turning point of the talks. Europe's industrial and employers' confederations are steeling themselves to tell Mr Frans Andriessen, EC trade commissioner, that the interests of manufacturers and service providers representing 75.9 per cent of Community GDP must not be sacrificed on the agricultural altar. Manufacturers of electronic products are also belatedly bestirring themselves.

The trade talks hover between humiliating failure or a result which could open the door to continuing liberalisation

A further potentially complicating factor is the crisis in the Gulf. If a showdown nears, it could distract political leaders' attention at a crucial moment for the trade talks. On the other hand there have been hints that the leaders do not want a quarrel over trade to sap the consensus that has been marshalled against Iraq. Mrs Hills has publicly linked co-operation in Gatt towards achieving a successful result with President George Bush's vision of a new world order emerging from international reaction to the Iraqi attack on Kuwait.

For the time being, however, the trade talks hover between humiliating failure or a result which, even if it falls short of the great expectations voiced at the beginning, could open the door to continuing liberalisation and give a powerful shot in the arm to the world economy just when it appears to be sliding into recession.

Mrs Hills has predicted that a successful outcome could raise US exports to developing countries alone by $200bn over the next 10 years. Heavily indebted developing countries such as Brazil, committed to internal reforms under debt-rescheduling programmes, can realise sorely needed benefits from the opening up of markets for their exports.

Failure could split the world into a triad of rival, closed trading blocs in Europe, America and the Asian/Pacific region – or into D-Mark, dollar and yen zones. Evoking this possibility is more than scaremongering.

The EC was already deeply engrossed in creating its single market for 1993 and had started talks with the six countries of the European Free Trade Association before the political awakening in eastern Europe and German reunification forced it to concentrate even more heavily on the future of greater Europe.

Having sealed a free trade agreement with Canada two years ago, the US had agreed to negotiate a similar accord with Mexico, when in June President Bush offered all of Latin America a free trade partnership. Some multinational companies, academics and even one of two trade negotiators have begun to assess the implications of trade blocs as fallback positions after the possible collapse of the Uruguay Round.

At stake as well is the future of Gatt, the international agreement coupled to a provisional organisation that has governed world trade for the past 42 years. Gatt has been a success. By gradually extending its most-favoured-nation (MFN) principle, under which a trade advantage granted to one country must be unconditionally extended to other Gatt members, and by organising at intervals general reductions in import tariffs it kept trade growing much faster than world output through the 1950s and 1960s.

The resulting boost to exports was a vital element in economic growth. But in the 1970s governments started to bend before the full rigour of free trade. They found ways to circumvent Gatt rules. Bilateral voluntary export restraint agreements, shielding domestic industries from competition, were negotiated for Japanese cars and consumer electronics, for European speciality steels – in all 249 protective arrangements were put in place.

Governments subsidised domestic industries under formulae which they claimed did not infringe Gatt's subsidies code. In the 1980s the US and EC increasingly imposed anti-dumping charges on imports of Japanese electronic products and on each other's manufactures allegedly for being sold at prices lower than those charged in home markets.

After industrial nations had lowered tariffs on imports to an average of less than 5 per cent in the industrial nations, Gatt's limitations became more evident. It did not cover farm produce – grains, meat and dairy products – or the services which by the 1980s accounted for more than half the GDP of the economically advanced nations. Exemptions to its rules had been allowed for textiles and clothing, where trade is controlled by a Multi-Fibre Arrangement based on import quotas.

Gatt's procedure for settling disputes was too slow and did not sufficiently penalise offenders. By the early 1980s it was apparent that a revamping of the whole system was called for. Largely at American insistence in 1986 in a meeting at Punta del Este, Uruguay, trade ministers embarked on the ambitious four-year undertaking which is now reaching its climax. Negotiators in Geneva, representing 105 countries, have to put together by December 3 a package of results in 15 areas (see table).

THE URUGUAY ROUND - STATE OF PLAY IN THE 15 AREAS UNDER NEGOTIATION

OPENING MARKETS

Tariffs - offers still well short of 33 per cent overall reduction in customs duties but target can be reached
Non-Tariff Barriers - real bargaining over reductions not started; deals can be struck on rules of origin and pre-shipment inspection of goods
Natural Resource-Based Products - waiting for results from other areas
Tropical Products - developed countries stalling on promise of full liberalisation; linked to progress in agriculture talks
Agriculture - key to whole Round; enormous gap between US and EC; needs top-level governmental decisions
Textiles and clothing - serious discussion on liberalisation now under way; defeat of US textile industry lobby vital to success

IMPROVING GATT

Amending Gatt articles - impasse over developing countries' right to protect markets when facing balance of payments difficulties
Gatt codes - Japan and other Asian exporters confront US and EC over anti-dumping measures; new rules for government procurement likely
Safeguard measures against unexpected surges in imports - EC holding out for right to take selective action against offenders
Subsidies - US and EC have just hardened positions but deal limiting industrial subsidies within sight
Gatt dispute settlement - close to agreement on faster mechanism with new appeals body
Functioning of Gatt - will agree to improve Gatt surveillance of trade policies; still disagree over greater role for trade ministers and over new world trade organisation

EXPANDING GATT

To cover intellectual property rights - conflict between industrial nations and developing countries calls for top-level political decisions
Trade-related investment - agreement to remove some restrictions on foreign investment possible but politicians must cut knots
Trade in services - blocked over the scope of a new general agreement and for which sectors exemptions or special reservations may be allowed: again needs top-level attention

This package has to be so weighted that it offers a balance of trade benefits over concessions to most countries. One reason why the talks are still hobbling is that governments are holding back from making important concessions until the final pattern of "trade-offs" becomes clearer.

Developing countries will not subscribe to an agreement that opens their markets to multinational service companies or adopt stricter rules on intellectual property until they are sure the industrial nations will open their doors wider to imports of textiles, clothing, tropical goods and farm produce. Japan will not disclose its bottom line on food imports or rules for public procurement before the EC and the US have accepted tighter discipline on their anti-dumping actions. The EC links the dismantling of its restrictions on textile imports to securing an accord which will let it apply safeguard measures, protecting industries against disruptive import surges, selectively against offending products or countries.

The US makes everything conditional on its receiving satisfaction over farm reform. Most nations want any agreement to ensure that curbs are clamped on US laws under which it takes unilateral, punitive trade action against other countries.

Last Monday the negotiators agreed to work to new deadlines, proposed by Mr Arthur Dunkel, Gatt's director-general. By passing difficult issues to smaller working groups or to Mr Dunkel's "green room", where chief negotiators from about 25 of the biggest traders try to cut through the trickiest knots, they aim to arrive at agreed texts in all areas.

It is already evident that the toughest issues – agricultural reform, textiles, services, intellectual property rights – will be left for the ministers to decide in Brussels. The negotiators can only spell out the options.

Agriculture is the key that can unlock the whole Round. It also provides the most deep-rooted confrontation between Washington and Brussels. The US has threatened to walk away from the Round if there is no agreement to make deep cuts in the $250bn of worldwide supports for farmers that currently distort farm trade. The EC is not ready to dismantle the costly Common Agricultural Policy which is the mainstay of its 10m farmers, most of whom could not sustain their farms without it.

The US has already dismissed as totally inadequate the EC's offer to cut its farm supports by 30 per cent over 10 years. The Americans want reductions of 70-75 per cent on internal supports and border charges and 90 per cent cuts in export subsidies. They are backed by the 14 farm-exporting nations in the Cairns Group, led by Australia.

Some negotiators see hope for compromise in the figures advanced. The EC's 30 per cent cut would be made over 10 years using 1986 as the starting line. The US's bigger reductions would start in 1991. But the crunch is over the export subsidies on which the EC refuses to make the separate commitment demanded by the US; here the EC is isolated.

However, the issue is not as clear-cut as this presentation would suggest. The US Congress is writing a new farm bill. Its terms will be conditioned by the outcome of the tense budget negotiations of the past two weeks which are likely to impose limits on deficiency payments to farmers.

This would be painful when farm costs are rising due to the higher fuel and fertiliser prices resulting from the embargo on Iraq. The embargo has also closed one of the largest markets for US wheat at the same time as world market prices for cereal crops have fallen. In this situation, EC negotiators argue, the US administration could not apply to its own farmers the heavy cuts in farm supports it is proposing in the Uruguay Round.

The domestic political situation in the US will indeed be a crucial factor in the run-up to the trade ministers' meeting in Brussels. The administration set the bar very high in the services talks in Geneva as well as in agriculture. Now, with his shipping and aviation industries fighting to have their sectors excluded from a multilateral services agreement, President Bush may have to accept that he can accomplish less in the Round than he had been promising his bankers and other service providers.

With this downgrading of expectations, some US observers argue, the Gatt trade talks could become one of the victims of the budding political rebellion in the Congress unveiled in the budget crisis.

Given the present uncertainty surrounding the talks, there is currency in almost any scenario for the outcome. But most chief negotiators in Geneva claim that substantial results can yet be achieved. What is required is a resurgence of the vision that launched the Round. And that vision must be re-affirmed first in Washington and the European capitals.

OBSERVER

PM oversold say marketers

■ Michael Heseltine, in his self-appointed role as Pretender to the Tory throne, has kept his politics separate from his successful business life.

He is now a consultant to the Haymarket publishing group he built up, and his family have shareholdings.

But I'll wager a smile spread across his face when he saw the front page prepared for one of Haymarket's publications, the glossy trade magazine Marketing.

With a colour cover picture of Margaret Thatcher the new issue headlines its story "Is She Too Much of a Good Thing?" It reports that "An exclusive poll of senior marketers shows a majority would prefer her not to lead the next government. Even though they think she has done a wonderful job for them".

Also on the front page is an unattributed quote, "Come in Thatcher your time is up". Who said that, I wonder?

For the few among us who take this sort of evidence seriously, the results of the poll were based on 116 replies from British marketers. A majority of 53 per cent opted for a future government without Thatcher at the helm.

But, such is the fickle nature of the trade, an almost identical percentage (55 per cent) agreed with the premise that, "Thatcherism has created a fundamental shift in attitudes, freeing enterprise and initiative, which can only be good for marketing and marketers".

Marketers clearly like to have their cake and eat it.

Second bid?

■ It was in the lobby of a Toronto hotel some two years ago that Nader Ghermazian confided to an FT man that Triple Five, his Canadian-based family corporate vehicle, had been among the unsuccessful bidders for London's County Hall.

Though their bid was not the highest, and was certainly below that submitted by the ill-fated Anglo-Japanese consortium, he said then that it was the only one received that was unconditional and for cash.

In the light of subsequent events are the brothers – whose flagship development is the West Edmonton Mall, the world's largest retail, commercial and leisure complex – interested in reviving their offer?

"We have not been officially approached. However we are prepared to look at the scheme again," said Jacob Jebreel, director of Triple Five's British operations yesterday.

Though Jebreel cautioned that "circumstances and the economy" had changed, he added that the group was looking for "good properties".

"Markets are now about right for us to take a strong position in the UK," he said.

Air space

■ Aerospatiale has named its new Toulouse complex to build the Airbus after Clement Ader.

"Who he ?" enquired a British Aerospace guest at the opening this week. He was firmly told by his hosts that Ader is considered, at least in France, to be the father of aviation.

The French claim he performed the first-ever flight with an engine-powered contraption exactly 100 years ago. But the claim is challenged by the Americans who insist that the Wright Brothers were the first to fly – and that Ader never really took off.

Ader was not the only source of contention at the new plant's opening ceremony. Aerospatiale also claimed the facility broke new ground in aircraft assembly by introducing for the first time a modular rather than linear aircraft assembly concept.

"They got the idea at Hatfield where we were the first to build a modular assembly plant for the BAe 146 jet", a slightly peeved BAe executive remarked. He conceded, however, that Hatfield is on somewhat a smaller scale than Toulouse.

The high-point of the ceremony was a remarkable performance by a tight-rope artist who walked with his balancing pole over President Mitterrand's head. It seemed an extraordinarily pertinent symbol.

After all, Airbus has always lived on a tight rope.

"I notice he's my child when he's misbehaving".

Board perks

■ Dear chairman – must you always meet your board members in a room smelling of mothballs and furniture polish, with pictures of former curmudgeons glowering from oak-panelled walls?

Why not take them down to the country instead for a bit of a party?

Thirty-two British hotels belong to an informal sort of marketing association called Pride of Britain. The members are mostly owner-occupiers of castles, manor houses, and country mansions. Now Tony Elliott, the chairman, and Michael Yeo, the marketing director, have now persuaded each of their members to provide a board-room for hire.

Reports are starting to filter back from the shires of some very jolly board weekends with convivial discussions and a little golf thrown in. What this sort of closer association will do for the average business it is too early to say. Pride of Britain is being predictably discreet.

However, the association is watching requests for brochures carefully following a recent letter. An inmate of one of Her Majesty's prisons in the Midlands wrote saying he was most anxious to have details of the hotels' service to racegoers called, "Chases, Hurdles and Flats".

Just under

■ The new charge for a directory inquiry by British Telecom seems a curious sum at 43.5p.

The reason is surely to be found in the new System X digital exchanges. Those exchanges allow subscribers to have itemised bills. There is a minimum limit below which calls are metered generally, rather than itemised. That limit is 44p.

Clearly BT is not over-anxious to keep reminding subscribers what they must pay to find out a telephone number.

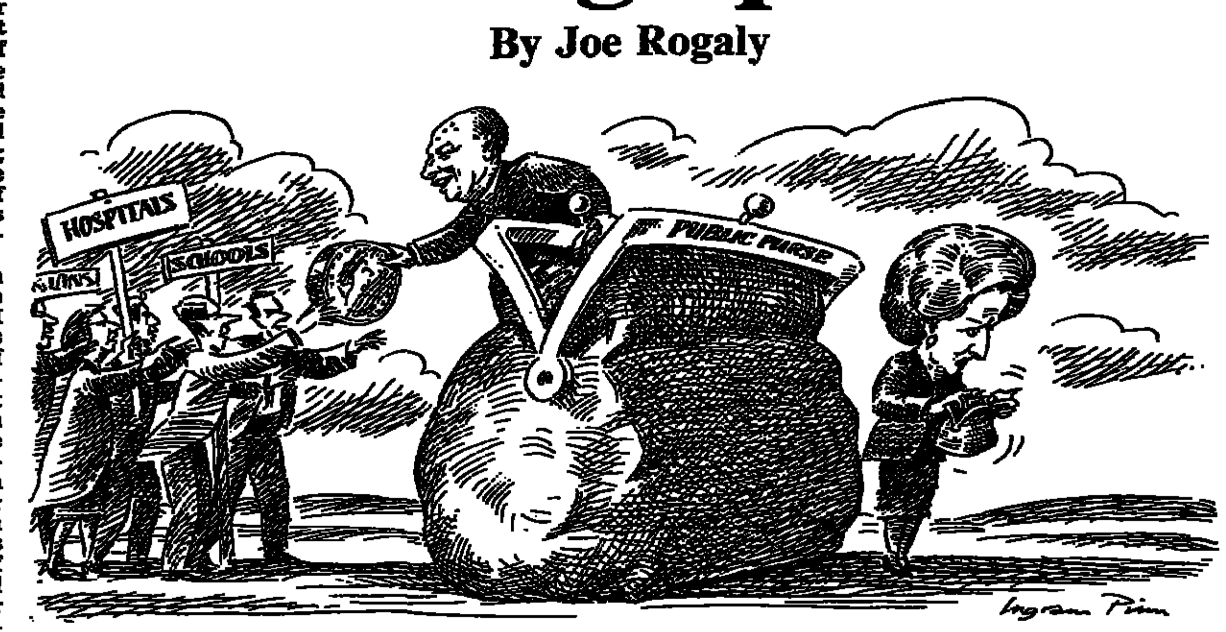
The chop

■ From the annual report of the Federation of German Stock Exchanges: "In New York, where an estimated 440,000 people are employed in the financial field, a trend towards shredding personnel began in 1989".

POLITICS TODAY

Penny pincher v the big spender

By Joe Rogaly



We now know the domestic issue upon which the next British general election will be fought. It will be social investment v money in the bank. Picking the winner between those two looks easy, but hold on a minute. The Labour party is pitching for voters who will accept a modicum of higher taxation, preferably of other people, if it is invested in transport infrastructure, education and training. Revenue would also be diverted to extra consumption in the form of higher pensions and child benefit. The rest is promises. Yet their conference buzzed with excitement and a half-believing anticipation of victory. The Conservatives are obliged to run under the austere and fading banner of Thatcherism. By the time they face the electorate they will have been in office for a dozen years; their offering will be "more of the same." The mood at most sessions of their conference in Bournemouth this week has been, to put it kindly, subdued.

Leave aside the important question of whether Labour can be trusted to stick to its vow of fiscal prudence. (I find it hard to believe them; others may be less suspicious.) A number of polls, including those prepared privately for the parties, suggest that social investment is favoured as much today as was the rolling back of the frontiers of the state in 1979. The Gallup poll in the Daily Telegraph on Tuesday showed that a preference for "extending government services even if it means some increase in taxes" is now expressed by 69 per cent of respondents, against 37 per cent asked the same question in 1979. Rightly or wrongly, there is an upswell of concern about the health service, schools, and the bunged-up transport systems, not to mention the competitive weaknesses of the economy.

The principal lesson learned in Bournemouth over the past few days is that talk of the social dividend is Labour talk. Today's Conservatives could not compete, even if they wanted to. Mrs Thatcher's Tory party stands or falls on its belief in reducing personal taxation. The political consequence is that battles over public expenditure are intensified by the inflexible nature of the revenue side of the equation. (The irrational characteristics of such jousts between colleagues were partly laid bare yesterday by the unauthorised publication of the health department's bid strategy.) There can be no electoral benefit in a traditional pre-election spending spree, since the adverse effect on the markets of returning to heavy budget deficits would be to wipe out any initial boost to the government's rating in the polls. A little give would be unsurprising at this stage of the electoral cycle, but a big give-away could sink sterling to its new floor. It would then be a political disaster.

The Conservative party chairman, Mr Kenneth Baker, has to work with all this. It is the material he has been allocated. He is in any case obliged to promote a continuation of Thatcherism. Anything else would be destructive, since it would be regarded, rightly, as evidence of a split between the prime minister and her campaign manager. He drew this conclusion well before he was given his present job. His equivalent judgement this year was that the conference could not be taken as a rehearsal for an election campaign next June or October, since that would have closed off the escape hatch into a 1992 election. There is good reason for this belief. The 1986 conference of the party was used to float the radical manifesto upon which the 1987 election was fought. The result was a triumph, but the downside was that the succession of powerful policy speeches in Bournemouth that year led to such a strong expectation of a summer 1987 election that it would have been extremely difficult to put it off had it been thought necessary to do so.

Bournemouth 1990 has been a far more low-key affair. The new secretary for trade and industry, Mr Peter Lilley, is a non-interventionist; he had no difficulty in offering a continuation of the hands-off strategy previously espoused by his predecessor, Mr Nicholas Ridley. Speaking for transport, the hapless Mr Cecil Parkinson made the most of such spending decisions as he has been allowed. The billions involved are by no means peanuts, but the bulk of the money is coming after the election, too late to affect it. Mr David Waddington, the home secretary, cleverly disguised a "soft" policy of not imprisoning non-violent offenders by rousing the delegates blood of vengeance against perpetrators of particularly evil crimes of violence; the effect on the crime rate is unpredictable.

Mr John Macgregor got a good reception for announcing that all state primary schools may become self-governing; the policy is more or less cost-neutral; it also does little to meet the wave of anxiety about basic skills. I am an admirer of the education bill put through by Mr Baker, Mr Macgregor's predecessor at education,

The mood at most sessions of the Tory conference has been, to put it kindly, subdued

particularly its establishment of a national curriculum. But it is impossible for the present education secretary to match that performance without more money and a perhaps stronger determination to outface the educational establishment. On training, Mr Michael Howard offered the new-right solution of a pilot scheme for vouchers. Mr Kenneth Clarke was strongly defensive on his mostly sensible health service reforms, but offstage he is clearly troubled about the prospect of a fiasco when they come into force next April, since there is much departmental concern about the readiness of managers and computers.

So the speeches droned on; each reflecting the minister's ingenuity in stretching small-change policies into the shape of a Thatcherite initiative. The environment secretary, Mr Christopher Patten, put up the best performance these limits would allow. He too is imprisoned by the prime minister's instincts. He was able to extract money for an afforestation scheme and other titbits, but the real force of his speech came from its skilful use of the good, green, fairy on Mrs Thatcher's left shoulder. With the prime minister by his side, he took the opportunity to instruct the conference and, through television, many viewers, on the realities of environmental policy. Much of what Mr Patten has done could be made to sound grudging in the hands of a less skilful operator; his forte is the right mood music. He may not be permitted to introduce road pricing or a carbon tax, but he is a good hot gospeller for the salvation of the planet.

Foreign policy is a different matter. Britain's entry into the exchange rate mechanism of the European Monetary System has not after all healed the divisions inside the Conservative party; it has made them worse. This, too, is a consequence of the imperative of fighting under a Thatcherite banner. Most members of the Cabinet regard entry to the ERM as something that will inevitably lead to a single currency and a European central bank. If this concept could be accepted as an ultimate goal, a diplomatic formula might be found at the forthcoming intergovernmental conference on European monetary union. Such a document would be designed to make peace within the EC and between Tories. The drafting is proving a touch difficult. One senior minister remarked late the other night: "Britain will accept full monetary union – when the prime minister is in heaven."

Yesterday's speech by the chancellor of the exchequer, Mr John Major, failed to rise to this awkward occasion. It was good politics, and a fair bid for the ultimate leadership of the party. It had the merit, particularly in an unscripted opening sentence, of widening the Tory appeal to all classes, races and creeds, a declaration of faith wholly to Mr Major's credit. What it did not do was address the post-ERM politics of the European debate head-on. Instead he took refuge in a single weasel word. "Joining the ERM," he said, "does not mean that we are now on a road leading *inexorably* to a single currency." That "inexorably" is a marker against being forced into signing a document to the effect that Britain is on a one-way road to monetary union. The late Iain Macleod would have tried to educate his audience; Mr Major took refuge in a political smokescreen.

The Foreign Secretary, Mr Douglas Hurd, wears the Thatcher carapace more lightly than does Mr Major; consequently he did better. He found the courage to explain that "there is no future in a sulky, defeatist, fog-bound membership of the community" and to back up his assertion with sound arguments. The trouble is that even his balm may be insufficient to prevent the onward march of the EC from disrupting the march to the polls of the Tories.

* * *

The conventional wisdom of the week is that if all the above remains true, and if the Gulf crisis does not destroy the voyage towards lower interest rates next year, the election will be a close-run thing. On today's information the result is a guess – say between a Tory overall majority of 25 seats and a hung parliament with the Tories the largest party but 25 seats short. What then? Supporters of Mr Michael Heseltine see anything within this range as leading to the early departure of Mrs Thatcher and the choice of their man as the one able to return the party to a convincing overall majority. If they are right, Britain would then have a prime minister strongly committed to both Europe and, at home, the social dividend. He does not openly espouse higher taxation; he would finance his education and other increases in public spending by a pretty ruthless reduction in consumption expenditure – breaking the link, for example, between pensions and the retail prices index. People have mixed opinions of Mr Heseltine. His day might never come. Yet in a world that may tire beyond tolerance of "more of the same," he is the single big player on the political stage who offers anything really new.

LOMBARD

Goodbye to corporatism

By John Lloyd

It is difficult to be precise about the time when socialism as even a rhetorical possibility disappeared in Britain. It has probably been in the past 12 months, when the last carrier of the idea which had any prospect of putting any part of it into effect – the Labour Party – disposed of the last vestiges of it. Its policy review contains nothing of substance to which a dirigiste conservative could object: its enthusiasm for the European Community, though still shallow, reflects a desire to embrace the modern, in which is included the market; and the conference speeches of its best performers vibrated with the energy of clever people who can now think relatively freely, without endless genuflections to an idea whose time they think is up.

Much of this renunciation is being effected at the level of public rhetoric and party culture: but in one respect it will have an important consequence. It means that, as far ahead as one can see, corporatism is also dead.

Corporatism has been, in the British context, largely a device to contain (unsuccessfully) trade union power. It was never promoted as a system with its own logic and dynamic, but as the best that could be done with a problem at the time: not surprisingly, it never worked.

Only governments wanted it, and then not for the best of motives. Mr Edward Heath's government of 1970-1974 took to it when a more bracing and liberal strategy had failed. For Mr Harold (now Lord) Wilson's government of 1974-76, it was nominally at the centre of its strategy, but there was never an agreement with capital or labour as to its shape, its aims and its modus operandi.

Never properly thought through, it has never been killed off either. Successive shadow employment ministers have elaborated schemes which would require corporatist structures to be attempted again. Many in the Labour Party assumed the need for a pay policy when office came again, to deal with the pressure from a long-repressed public sector.

Now it has become clear: it is no longer an option. Those trade union leaders – such as Mr John Edmonds of the General and Municipal Workers and Mr Alan Tuffin of the Communications Workers – who float ideas for pay policies have found that they have been left to float by Labour's leadership. The main speeches of the conference – including Mr Neil Kinnock's – did not mention the need to get round tables, or to plan incomes, or any of those phrases which have carried on a ghostly existence for the past decade. The rhetoric was devoted to modernisation through an increase in applied intelligence – both of the human and of the machine variety.

Mr Tony Blair, the employment spokesman, used his critically acclaimed speech to speak up for workers' rights – but *individual* workers rights. He offered the unions nothing in the way of co-decision-making, at any level. The anguished debates of the 1960s and 1970s (and before) over the place of labour in advanced societies might never have taken place.

Mr Blair and his colleagues take this position: that ideas and examples of industrial democracy, and of corporatist arrangements, may well be good ones. Other successful economies have them, and say that they are a substantial part of the reason for their success. But Britain has a trade union movement still politically divided and industrially disorganised (and becoming more so, as mergers are made as and when they can be); and it has an employers' class uninterested in corporatist deals and unable to deliver them anyway. Until these matters are cleared up by the representatives of capital and labour themselves, then a future Labour government will govern without the benefit of the smoke-filled rooms.

This silent and unsignalled shift in policy points to a final collapse of the belief within Britain's political classes in the possibility, even the desirability, of substantial dialogue between the "social partners". If the concept is to have any real meaning, it will find it only at the European level – and then only vestigially.

LETTERS

Too soon to lift South African sanctions

From Mr Ronald Segal.

Sir, It would be churlish not to welcome the latter-day conversion of the FT to the efficacy of economic sanctions against South Africa ("Time to end sanctions," October 10). But this makes it all the more important that the conversion should not have come only so that sanctions should be subverted before the right time for their removal arrives.

The South African regime has not yet crossed the Rubicon, but is merely in the process of crossing it, and there must remain a serious possibility that it will change direction.

Why is the FT in such unseasonable haste? It assures us that the regime will repeal the crucial Group Areas Act and the Land Acts next year. That is surely one reason to wait. Let us see if it happens.

The FT claims that the "dismantling of apartheid has become irreversible." But this is not true and it will become true only when the South African regime shows itself willing and able to impose its proclaimed commitment on its own armed forces, in whose power it lies to secure or sabotage the dismantling.

While a substantial and apparently safe part of both the police and the army continues to behave as though the more things have changed, the more they have stayed the same, negotiations themselves are in danger. The international community should deliver an end to sanctions when the regime can show, rather than merely declare, itself determined to deliver a settlement.

Ronald Segal,
The Old Manor House,
Manor Road,
Walton-on-Thames, Surrey

ABCC initiative undervalued

From Mr Edmund Dell.

Sir, Your weary response to the Effective Business Support Campaign of the Association of British Chambers of Commerce (ABCC) undervalues an initiative that deserves a better reception from you ("The voice of small business," October 9).

You complain that what is now to be done should have been done 20 years ago. Of course. That is not to say that it is not worth doing today.

You suggest that it is because of the failures of the chambers in the past that they now face increased competition, for example, through the establishment of Training and Enterprise Councils (TECs). You fail to point out that much of the competition is publicly subsidised competition.

It is true of the government's own overseas services and of the Department of Trade and Industry's Enterprise Initiative. It is also true of the TECs which seem to be extending their activities well beyond the training, which is vitally necessary in this country, into other areas which chambers should and do cover. It is not surprising that chambers in this country have failed to meet your high standards when, unlike on the Continent, they have not merely lacked government support but have faced direct government competition and continue to do so.

You say: "It would be preferable for the chambers to establish a pre-eminent position on the basis of merit rather than rely on government patronage." In some ideal world this might be true. But while the processes of competition are separating the wheat from the chaff, this country will lack the co-ordination of "the main national initiatives" which, you also say, is needed "to avoid undue waste of resources".

I agree the DTI's £1.3m over the next four years hardly indicates great enthusiasm for the chambers in Whitehall. The government really needs to make up its mind whether it wants the co-ordination of "the main national initiatives" for which you call. There is little sign of it at the moment.

You would do better to emphasise that objective than to rubbish chambers which are seeking to improve the quality of their support to business at a time when the need to enhance the competitiveness of this country's industry hardly needs emphasis.

Edmund Dell,
chairman of council,
London Chamber of Commerce and Industry,
69 Cannon Street, EC4

The exchange rate mechanism and the right rate for sterling

From Mr Howard Flight.

Sir, With sterling having been talked up since early summer to a level of about DM 2.95 on imminent membership of the exchange rate mechanism (ERM), the presupposition is general that this is the appropriate central rate at which to join.

Few seem to have questioned whether or not such a level is sustainable for the British economy, even assuming a 6 per cent band. There is a certain simplistic logic that if the exchange rate is deliberately driven up as an anti-inflationary policy to cause an economic slowdown, there is inevitably some need to redress an overvalued exchange rate as and when the economy is to recover from a period of recession.

While ERM membership is to be welcomed as a potentially significant contributor to sustaining lower inflation, to be locked in at a rate at which the British economy is inadequately competitive against the rest of the European Community in the long term would be disastrous for jobs and economic growth. Regular realignments of the European Monetary System (EMS) are a thing of the past and a one-off sterling devaluation within the EMS, though possible, will be difficult.

This all begs the question as to what is the right long-term sterling rate. Purchasing power measures against Germany are clearly inappropriate. As a low-savings, high-consumption economy the UK requires a discount to purchasing power parity where, as a high-savings lower-consumption economy, the D-Mark will naturally have a premium.

One of the only serious attempts to measure the right rate was undertaken by the Croham Report four years ago. It recommended a rate of DM 2.79. Since then the inflation differential between the UK and Germany has widened by 10 per cent, implying a correct rate some 10 per cent below this – for example, around DM 2.50. Virtually everybody working in the real economy accepts that a level of DM 2.95 is markedly too high for British industry and commerce to be able to compete satisfactorily, long-term.

Now that the economy is in recession surely an easier alternative approach might have been to have delayed ERM entry until early next year, first allowing sterling to depreciate a little following interest rate cuts. Politically and economically the UK does not want to repeat the mistake made in the early days of the EMS, when we joined as a full member and then had to leave hastily as we could not sustain the exchange rate level.

Howard Flight,
Guinness Flight Global Asset Management,
Lighterman's Court,
5 Gainsford Street, SE1

Polly Peck and the British Government's role

From Mr Brian Mower.

Sir, On October 5 the Financial Times led with a story to the effect that the foreign secretary sent a letter to the Turkish government about Polly Peck International which was regarded as an ultimatum. I should like to set the record straight.

On September 28 the Foreign Office received a letter from a senior Turkish minister asking the British Government to help by asking Polly Peck's banks to hold the situation steady. This was passed to the Bank of England, which took immediate soundings of the United Kingdom banks involved.

The outcome of the Bank's soundings, which reflected market feeling, was passed to the Turkish government by our embassy in Ankara early on September 29. There was a parallel direct contact between the banks and Polly Peck.

The Foreign Office and the Bank of England were not involved in the substance of the issue. There was no ultimatum from the British government. The foreign secretary was abroad and signed no letter.

The British Government's role was to pass quickly to the Turkish government the views of the British banks involved with Polly Peck.

Brian Mower,
head of news department,
Foreign and Commonwealth Office,
Whitehall, SW1

FINANCIAL TIMES
Friday October 12 1990

FARM TRADE REFORM

US sticks to hard line on subsidies

By William Dullforce in Geneva

THE US revised plan for world farm reform will call for cuts of 90 per cent in export subsidies and 75 per cent in internal supports and tariff barriers.

The proposal, which US negotiators plan to submit on Monday, represents some softening in the Americans' negotiating position. However, it still leaves an enormous gap with the European Commission's offer to reduce farm assistance by 30 per cent overall – an offer which EC ministers have yet to endorse.

With 52 days to go to the final meeting of world trade ministers in Brussels, it is clear that only top-level decisions in Washington and EC capitals can resolve the farm dispute, on the outcome of which the whole round hinges.

The US has modified its original proposal in at least three ways. First, instead of calling for the total elimination of export subsidies in five years, it is seeking reductions of 90 per cent over 10 years.

Second, it has dropped its demand that some domestic subsidies be phased out completely during the transition period.

This demand covered administered price policies, income supports to production or marketing and input subsidies not provided on an equal basis to all producers or processors. It would have included the US's own deficiency payments to farmers which, together with other internal supports, averaged $23bn a year between 1986 and 1988.

Under the new proposal these subsidies would be reduced by 7.5 per cent a year over 10 years.

Third, under border protection cuts, the Americans have made a gesture towards the EC's demand for introduction of a "corrective factor" that would shield farmers against abrupt swings in prices or exchange rates.

Their original proposal allowed governments to levy a tariff surcharge if the volume of imports of a product exceeded 120 per cent of the imports of that product during the previous year.

The revised draft provides for a second emergency relief mechanism based on price. Governments would be able to impose a surcharge if the import price of a product fell below 75 per cent of the average import price for the product over the three preceding years.

However, the trigger mechanism applies to import, not export, prices, and nothing in the US plan offers provisions for countering exchange rate fluctuations. There is also no concession to the EC's "rebalancing" requirement, which would enable it to raise tariffs on products such as oilseeds provided cuts in other areas met the overall reduction target.

The EC, which has imposed budget curbs on farm payments over the past two years, wants to use 1986 as the base year for calculating reductions. The US proposes an average of 1968 to 1988 levels for internal supports and border protection and an average of 1987 to 1989 for export subsidies. The US limits the use of an aggregate measure of support (AMS) to monitoring reduction targets for internal supports. The EC wants to use an AMS covering all farm supports as the main instrument determining reductions in general.

Washington continues to insist that all non-tariff barriers be converted into tariff equivalents which would then be subjected to annual cuts. A 50 per cent tariff ceiling would be applied after 10 years.

A way of handling Japanese reluctance to open its rice market to imports is outlined. For a product facing non-tariff import barriers and where imports amounted to less than 3 per cent of domestic consumption, a minimum level of access of 3 per cent would be established from 1991-92 in the form of a quota carrying a low or zero tariff rate.

This tariff quota would be expanded by no less than 75 per cent over 10 years. At the end of the period the quotas would be eliminated.

Trying to salvage the Uruguay Round, Page 6; State of Gatt talks, Page 18

Warsaw pact arms quotas threaten treaty

By David White in London and **David Buchan** in Brussels

SQUABBLING between the Soviet Union and its five remaining Warsaw Pact allies is hampering the final stages of writing a treaty limiting conventional arms in Europe.

But negotiators at the Vienna arms talks remain optimistic that a treaty between the 22 members of Nato and the Warsaw Pact will be signed at the Paris summit of the Conference on Security and Co-operation in Europe on November 19.

"I am optimistic that we will have a treaty by November 19", said a senior western negotiatior who yesterday briefed Nato allies in Brussels, "but it is not the west's business to tell the east how to sort things out".

He said demands by the east Europeans to have more tanks relative to the Soviet Union related to well under 1 per cent of the total future tanks in Europe.

It would be "very, very surprising" if the Warsaw Pact could not reach an internal settlement.

"But clearly the appetite for adequate armour to protect one's security is rising in eastern Europe," he commented.

Delegates to the Conventional Armed Forces in Europe (CFE) talks yesterday made progress on one of the outstanding issues – armament levels in the outer flank region.

This includes Romania and Bulgaria, which have expressed concern about the regional arms balance.

However, the completion of a treaty still depends on the Warsaw Pact's ability to agree on how to share out the agreed totals of tanks and artillery among its members.

A meeting of a Warsaw Pact arms control commission in Prague this week, the third within a month, failed to reach agreement.

Western officials said they hoped the dispute would be resolved at a further commission session in Prague in two weeks' time or at a top-level Warsaw Pact meeting due to be held in Budapest in November.

A provisional US-Soviet agreement would allow the Soviets 13,300 of the Warsaw Pact's allowance of 20,000 tanks in Europe.

The other Pact members - reduced to five following East Germany's disappearance - claim the right to a total of 7,200 and want to cut the Soviet entitlement.

The Warsaw Pact has agreed on how to share its future total of 30,000 armoured vehicles, but has still to settle how many artillery pieces, out of a total of 20,000, each country should hold.

The Vienna talks are now focusing on geographical subceilings for land weapons and verification procedures.

Nato's initial proposals omitted specific limits in the outer zones, but this prompted concern that armaments would simply be shifted away from the central front to the flanks.

Yesterday's agreement stipulates a ceiling of 4,700 tanks for each alliance in the outermost zone, covering Norway, Iceland, Greece and Turkey on the Nato side, and Romania, Bulgaria and several Soviet military districts on the other.

A provision wil be included to allow a temporary increase of 500 tanks on either side in exceptional circumstances.

Nato is also waiting to hear from the east Europeans how many aircraft they wish to retain.

The US and the Soviet Union have already tentatively agreed that no one country should have an air force of more than 5,150 aircraft in Europe and more than 400 land-based naval aircraft.

A senior western negotiator said the eastern Europeans were likely to propose a total for each side of "close to 7,000". If so, this would be acceptable to Nato, he said, even though the west had fewer than that number of aircraft in Europe.

Nato is taking a more relaxed attitude about the Soviet desire to convert military equipment to civil uses.

Following Soviet submissions of detailed plans to the US, Nato is willing to let Moscow convert about 1,000 tanks and more than 1,000 armoured combat vehicles to various civil uses, the senior negotiator revealed.

Edward Heath: to meet Saddam Hussein

UN struggle to reach compromise

Continued from Page 1
allies in the Gulf must "take stock" within weeks of the action taken against Iraq and build in President Saddam Hussein's mind the certainty that he will be removed from Kuwait – by military force if necessary.

Stepping up the government's war of words against Iraq, Mr Hurd said that "day by day" the allies had to impress on the country that it would be driven from Kuwait.

The effectiveness of current measures would have to be reviewed shortly.

Against a background of steadfast support from delegates at the party conference, Mr Hurd pledged to work hard for peace.

But Britain could not accept "a peace which leaves the aggressor in possession of its prey".

Mr Hurd, who faces a cool reception in Israel because of his criticism of Israel's "misguided policy" towards the Palestinians in a speech last week, stressed that the Palestinian problem must be kept in sight.

A solution, however, had to rest on a respect for international law.

Major says further UK interest rate cuts will have to wait

By Philip Stephens, Political Editor

MR John Major, the UK chancellor, signalled yesterday that further cuts in interest rates might have to wait until early next year after a jump in the inflation rate to almost 11 per cent and a prospective £8bn overshoot in public spending.

In a confident performance at the Conservative conference in Bournemouth, the chancellor promised that the present squeeze on the economy would be rewarded in the run-up to the election with sharply lower inflation and parallel cuts in interest rates.

In later interviews, however, he injected a cautious note into his assessment of the outlook for the next few months.

His speech came amid conflicting signals from ministers about the implications of the decision to take sterling into the EMS exchange rate mechanism for the government's stance towards European monetary union. Mr Major emphasised his opposition to any firm commitment to a single European currency, but Sir Geoffrey Howe, the deputy prime minister, led a number of ministers in calling for the government to adopt a more flexible response.

Mrs Margaret Thatcher, the prime minister, is expected to underline Britain's opposition to the Delors blueprint for monetary union when she addresses the final session of the conference later today.

There was private acknowledgment from senior ministers, however, that she would face growing pressure within the Cabinet to boost the credibility of Britain's alternative "hard Ecu" proposals by accepting the possibility of a single currency.

Mr Major's speech confirmed his standing as a leading contender to succeed Mrs Thatcher as party leader. It was pitched to revive the spirits of activists by emphasising the the economy would improve significantly in the run-up to the election.

He indicated, however, that today's figures for the retail prices index in September would show inflation rising further from the previous month's 10.6 per cent. Mr Major gave no specific figure, but the expectation of his Cabinet colleagues was that the RPI would show an increase of nearly 11 per cent.

That will be followed next month by an admission by the Treasury that public spending next year will rise to about £200bn compared to its original target of £192bn. The signs yesterday were that Mr Norman the Lamont, the chief secretary, was running into difficulties in keeping even to the higher figure in his negotiations with spending ministers.

Mr Kenneth Clarke, the health secretary, is expected to settle his budget quickly following an embarrassing leak of his negotiating position, but other ministers want their disputes with the Treasury unadjudicated in the "Star Chamber" of senior ministers.

Mr Major is said to believe that today's inflation figure, pushed up by rising oil prices, should represent the peak. The Treasury's forecasts, however, are thought to show that until the end of this year, the rate will decline slowly. A much sharper deceleration is expected in the first few months of 1991.

The chancellor repeated his determination not to engineer a "pre-election boom", but that did not dent the growing conviction of many of his colleagues that the interest rate cuts and the public spending increases would pave the way for an election in October.

Details, Page 10; Warning from EC on Emu, Page 11

Bush adds to muddle over tax changes

Continued from Page 1
are currently taxed as income.

This would level out the so-called tax bubble, under which the wealthiest Americans pay a top marginal tax rate of 28 per cent, while upper middle-income taxpayers have a marginal rate of 33 per cent.

However, within an hour of Mr Archer's comments, the White House issued a statement saying that while Mr Bush favoured this goal, he did not believe "such a compromise is now possible".

He was reported to be concerned that pursuing such a trade-off "in the current context may not only fail; it may legitimise something farther to the left than we can accept. I will not tolerate raising rates to 33 per cent. It would start us back on the path toward higher income tax rates for everyone".

There is some underlying consistency in Mr Bush's position. However, what matters politically is appearances and Mr Bush has seemed inconsistent.

Part of the problem stems from divisions among Congressional Republicans, with most on the Senate side unwilling to reopen the whole issue for fear of pushing up tax rates, while several House Republicans are so keen for a cut in capital gains tax that they will back some increase in marginal rates.

Reformers despair of 500-day plan as Soviet prices soar

By Quentin Peel in Moscow

HOPES have been all but abandoned that the radical 500-day plan for transforming the Soviet economy into a market system, officially backed by President Mikhail Gorbachev and Mr Boris Yeltsin, president of the Russian federation, can be put into effect.

The authors of the plan now believe that the alternative Soviet government strategy of massive regulated price rises, and 100 per cent compensation of wages is happening by default. They fear that will rapidly lead to hyperinflation throughout the economy.

Dr Grigory Yavlinsky, Mr Yeltsin's deputy and one of the prime authors of the radical reform plan under Professor Stanislav Shatalin, says that government decisions to raise the purchase prices of grain and meat have begun an inevitable inflationary spiral.

Grain prices paid to state farms were raised by up to 90 per cent last May, and prices for meat by 50 per cent last month. "After that, all the attempts to contain prices have become, in effect, hopeless," Dr Yavlinsky said.

Dr Yavlinsky told Izvestia, the government newspaper, that last week's decree by Mr Gorbachev allowing state enterprises to negotiate wholesale prices, would – far from moving towards market prices – have the same effect of allowing massive price rises without any market flexibility.

Dr Sergei Alexashenko, another of the economists who drafted the 500-day plan in August, said: "We are going to see hyperinflation from January 1. They have started with wholesale price increases for grain and meat, which make administered retail price increases inevitable. It undermines the entire strategy of the 500-day plan."

The Shatalin-Yavlinsky plan, adopted by the Russian parliament and intended to form the basis of a compromise plan to be presented by Mr Gorbachev to the union parliament on Monday, called for drastic measures to stabilise money supply before action was taken on prices. Only when the excess money supply was reduced was there to be a rapid move to price liberalisation.

Instead, however, the Shatalin authors now say that government publication of proposed new administered price rises (to take effect from January 1), combined with the big meat and grain price rises, has started the inflationary process before there has been any monetary stabilisation.

Dr Yavlinsky said the Gorbachev decree on wholesale prices would use a centrally determined price list as its basis, then set a limit on the profits of enterprises: "The prices of products are likely first, to increase by the size of the new wholesale prices, and second, to become fixed at the level of the new profit limit. They will not be flexible and mobile, but simply very high."

Although the Russian parliament has said it will go ahead with the Shatalin plan regardless of what the union government decides, most realistic observers believe such a policy would be impracticable. The Russian government lacks the bureaucracy and the authority to implement such a radical plan in isolation.

Banks to meet on Polly Peck

Continued from Page 1
money was coming from a sale of Vestel shares.

A representative of one of the banks said: "We will now have to wait and see if the money or the man himself arrive by 9.15 this morning."

In London, there was concern among bankers about possible rushed sales of Polly Peck assets to keep the company afloat, since the prices received might be less than could be achieved in an orderly disposal during an administration.

The banks gave Mr Nadir until today to show evidence that Polly Peck can solve its liquidity problems.

Unless he can appease them, they are unlikely to agree to roll over further £200m of debts that fall due by the end of the year.

THE LEX COLUMN

Mr Major talks his book

Wall Street's weakness is becoming slightly unsettling. Yesterday's reaction to Chemical Bank's dividend cut brought the fall in the Dow to 150 points since Monday, or 18 per cent since the Gulf crisis began. The FT-SE's fall in the same period is only 10 per cent. Assuming the ERM story is dead, London looks slightly exposed.

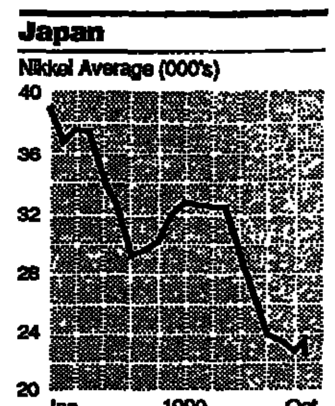
UK economy

It may well be time, as Mr Major remarked yesterday, for the misery-mongers to stop talking the UK down. Some of his ways of talking it up, however, are more calculated to soothe the Tory faithful than the markets. It is one thing to assert that interest rates can only come down further when inflation does; but references to core as opposed to headline inflation seem to have dropped out of the text. Whatever horrors are in today's headline figure for September, the working through of rises in mortgages, poll tax and even oil prices should allow a fall below 10 per cent by November and possibly even a halving within the year. This may permit interest rate cuts as a component of our old friend the golden scenario; whether the economy can stand another pre-election boom is much less clear.

The central and unaddressed problem remains the balance of payments. Granted, it was reassuring to hear Mr Major say yesterday that the UK still imports much that could be made at home, thus departing from his predecessor's argument that the deficit takes care of itself. His assertion that the UK enters the 1990s in better shape than it did the 1980s is also hard to rebut. But there is an inherent contradiction in relying on the ERM to reduce core inflation if it does so by exerting pressure on the manufacturing sector, thus risking a fall in output along the lines of 1980-81 and making the balance of payments problem worse again. Standing ovations from the faithful apart, there is little to convince the misery-mongers that the Government has regained control of economic events.

Japanese stocks

The sharp fall in Japan yesterday looked rather like a resumption of the fall so spectacularly broken last week by official intervention. But there was also an element of catching up with a two-day fall of 100 points on Wall Street, during which Tokyo was on holiday. And in the context of last Tuesday's record 13 per cent rise, a 3.9 per cent drop is hardly calamitous.



The renewed decline has been interpreted as good news by London's fund managers, who are reportedly now succumbing to the temptation to buy the market on weakness. The argument is that equities are cheap because they have fared much worse than bonds or the resurgent yen since the Gulf crisis began. On any normal measure of fundamentals, that is probably true. After all, government bond yields are showing every sign of having peaked and the yen's strength against the dollar is unlikely to abate given the real interest rate differential.

The Gulf aside, the problem for the Tokyo equity market is that analysts remain at odds over whether the Japanese economy is slowly decelerating or stubbornly buoyant. While anecdotal evidence suggests an interest rate cut is needed, some official indicators still imply the opposite. So long as the Bank of Japan remains determined to bring down land prices and stamp on wider asset inflation by keeping the monetary vice in place, share prices are likely to be stable or even lower.

Life assurance

The vexed question of how to value UK life assurance shares is far from being dry academic stuff, given the predatory acitivity that has shrunk the life sector to seven companies. Just look at AMP's takeover of Pearl; or at the 10 per cent stake built up by France's Pechelbronn/Athena in Refuge Group. Hence the interest of this year's County NatWest/Wood Mackenzie actuarial appraisals of what the quoted life companies would be worth if sold as going concerns.

The striking thing is that for the first time since the early 1970s, when WoodMac began producing the study, the sector does not look cheap. On average, the seven are trading in the stock market at 90 per cent of their appraisal values, the highest ratio this decade. And two stocks, London & Manchester and Refuge, are trading at more than 100 per cent, even before allowing for the adverse impact on their life funds of this year's drop in investment markets.

There is scope for querying WoodMac's specific figures, and appraisal values need to be treated with caution. But the model's past predictive power has been good. In 1985 it highlighted that Pearl's shares were at a 30 per cent discount to appraisal value. But the study also helps demolish the notion that the stock market misunderstands and systematically undervalues life companies. And though WoodMac is too polite to say so, the study implicitly casts doubt on some of the arguments for the full-scale reform of life assurance company accounting being advocated by the Association of British Insurers.

Continental/Pirelli

So much for the notion that Mediobanca, the merchant bank at the core of Italian high finance, was no longer a force to be reckoned with. The Milan institution has popped up publicly as a 5 per cent shareholder in Continental, the German tyre company which is now the subject of what passes in Lower Saxony for a hostile bid, the bidder being Pirelli. It may, or may not, be true that Mr Leopoldo Pirelli once said of Mediobanca's chairman Mr Enrico Cuccia that "what Cuccia wants, God wants too". But what is clear is that the Fiat/Pirelli/Mediobanca axis, which goes back more than 30 years, is one of the closest such alliances in corporate Italy.

So it is unthinkable that Mediobanca would fail to help Pirelli out; or, that having done so, it would not mobilise its friends too. For those with long memories, though, the incident conjures up recollections of another cross-border tyre merger, which Mediobanca also reputedly played a part in creating. Namely, the decade-long, but ultimately abortive link between Pirelli and Dunlop. Perhaps Deutsche Bank should bear that sad story in mind while thinking about whether it likes a Pirelli/Continental marriage.

WORLDWIDE WEATHER

City		°C	°F
Ajaccio	S	27	81
Algiers	F	25	77
Amsterdam	C	[illegible]	[illegible]
Athens	S	22	73
Bahrain	S	32	90
Bangkok	F	32	91
Barcelona	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]
Belfast	R	10	50
Belgrade	[illegible]	[illegible]	[illegible]
Berlin	F	17	64
Biarritz	S	22	72
Bombay	-	-	-
Bordeaux	S	22	73
Boulogne	F	16	61
Brussels	S	16	61
Budapest	[illegible]	[illegible]	[illegible]
Buenos Aires	-	-	-
Cairo	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]
Caracas	C	27	82
Casablanca	S	21	70
Chicago	Fg	2	36
Cologne	S	17	63
Copenhagen	R	11	52
Corfu	S	23	75
Dallas	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]
Dubrovnik	[illegible]	[illegible]	[illegible]
Edinburgh	[illegible]	[illegible]	[illegible]
Faro	S	23	73
Florence	S	22	72
Frankfurt	S	11	52
Geneva	S	13	55
Gibraltar	S	21	70
Glasgow	C	8	46
Hamburg	[illegible]	[illegible]	[illegible]
Helsinki	[illegible]	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]	[illegible]
Innsbruck	[illegible]	[illegible]	[illegible]
Inverness	[illegible]	[illegible]	[illegible]
Islamabad	F	29	84
Istanbul	F	17	63
Jakarta	F	35	95
Jersey	S	16	61
Johannesburg	F	23	73
Lima	C	19	66
Lisbon	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]
Los Angeles	[illegible]	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]	[illegible]
Madeira	F	22	73
Madrid	F	22	72
Majorca	C	17	63
Malaga	S	21	70
Malta	F	27	81
Manchester	C	15	59
Melbourne	[illegible]	[illegible]	[illegible]
Mexico City	[illegible]	[illegible]	[illegible]
Miami	[illegible]	[illegible]	[illegible]
Milan	S	18	64
Montreal	R	13	55
Moscow	C	11	52
Munich	S	15	59
Nairobi	S	25	77
Naples	[illegible]	[illegible]	[illegible]
New Delhi	[illegible]	[illegible]	[illegible]
New York	[illegible]	[illegible]	[illegible]
Nice	[illegible]	[illegible]	[illegible]
Nicosia	S	27	81
Oporto	S	[illegible]	[illegible]
Oslo	F	10	50
Paris	S	17	64
Peking	S	21	70
Prague	[illegible]	[illegible]	[illegible]
Reykjavik	[illegible]	[illegible]	[illegible]
Rhodes	[illegible]	[illegible]	[illegible]
Rio de Janeiro	[illegible]	[illegible]	[illegible]
Rome	[illegible]	[illegible]	[illegible]
Salzburg	S	20	68
San Francisco	S	11	52
Seoul	C	17	64
Singapore	F	32	90
Stockholm	S	11	52
Strasbourg	S	15	59
Sydney	S	21	70
Taipei	C	27	81
Tangier	[illegible]	[illegible]	[illegible]
Tel Aviv	[illegible]	[illegible]	[illegible]
Tenerife	S	22	72
Tokyo	S	18	65
Toronto	R	7	45
Tunis	C	27	82
Valencia	C	21	70
Venice	S	17	64
Vienna	S	14	57
Warsaw	S	17	63
Washington	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

هكذا صدر الأصل

RECRUITMENT

JOBS: US tops purchasing-power league with UK behind most European near-neighbours

What managers' pay buys in different lands

THE Jobs column's autumn pay-survey season reaches its third week today with an international comparison of managers' cash rewards. It is drawn from the surveys made by the Employment Conditions Abroad consultancy which advises over 600 subscribing companies on worldwide trends in pay and other conditions of employment.

The extracts printed alongside refer to a mere 18 of the 100-plus countries covered by the consultancy's studies. So anyone wanting fuller information should contact Wendy Greathead of ECA at 15 Britten St., London SW3 3TY; tel 071-351 7151, fax 071-351 9396.

To illustrate cash-pay variances across the 18 countries, my table focuses on four levels of executive working for a sizeable division of an international company. They range upwards from a junior and then a middle manager to the head of a function such as marketing and the head of the division as a whole.

In each case, the table gives two sets of figures. The first is the *typical* gross pay, consisting of salary plus bonuses which are fixed as opposed to varying with profits or the like. The second figure translates the gross pay into terms of purchasing-power.

Country	Junior manager Gross pay £	Junior manager Buying power £	Middle manager Gross pay £	Middle manager Buying power £	Head of function Gross pay £	Head of function Buying power £	Head of division Gross pay £	Head of division Buying power £
United States	23,365	22,710	32,072	29,347	44,406	38,983	61,148	52,056
Switzerland	35,783	24,026	47,015	29,853	64,489	38,341	89,337	49,812
Germany (west)	26,547	19,026	37,007	26,544	52,505	36,773	75,383	49,928
Belgium	23,767	19,012	33,858	24,578	47,286	31,382	68,780	39,966
France	20,514	16,545	29,317	22,840	40,650	30,041	58,127	41,058
Canada	19,607	17,104	27,052	21,882	36,224	27,564	49,960	35,796
Spain	20,005	15,292	29,065	21,264	40,602	27,948	58,848	36,568
Italy	21,102	14,690	30,032	19,998	43,973	27,558	63,350	37,916
Netherlands	20,875	18,798	28,805	21,351	40,575	26,682	55,812	33,584
United Kingdom	16,771	13,459	22,915	17,967	31,619	23,586	44,170	31,096
South Africa	10,557	12,847	14,611	16,307	20,554	21,461	28,516	28,320
Australia	17,772	13,790	23,731	16,975	31,329	20,601	41,883	26,243
Ireland	17,928	12,895	24,427	16,115	32,018	19,621	42,871	24,633
Finland	21,403	11,992	29,032	14,781	39,380	18,435	53,416	22,606
Norway	18,406	12,340	24,722	15,137	32,550	18,069	43,073	22,009
Greece	10,797	9,513	15,265	12,904	22,121	17,642	30,242	23,076
Denmark	24,591	11,841	32,558	13,825	44,501	16,509	61,979	20,729
Sweden	20,356	10,795	27,329	12,661	36,521	15,120	48,519	18,331

It is calculated by taking the gross figure and deducting the tax and social security payments standard for a native of the country who is married with two dependent children and receives the normal family allowances. The resulting net income is turned into buying power by adjusting for price differences as revealed by cross-country surveys of executives' living costs, apart from those of housing. What counts as housing varies so much from place to place that it is near-impossible to devise an internationally consistent measure of costs.

The comparisons are in sterling, other currencies having been converted at the exchange levels prevailing when ECA completed the study a few weeks ago. To enable readers to update the table's figures in line with market shifts, here are the conversion rates the consultancy used:

United States	1.857
Switzerland	2.4475
Germany	2.9375
Belgium	60.25
France	9.8325
Canada	2.175
Spain	184.1
Italy	2,190.25
Netherlands	3.3075
South Africa	4.7965
Australia	2.2907
Ireland	1.094
Finland	6.9192
Norway	11.3175
Greece	290.25
Denmark	11.1975
Sweden	10.7525

Since what managers can buy with their pay is surely its most important aspect, the difference in purchasing power between the junior manager and the head of division might be seen as a gauge of the incentive in each country to strive for promotion.

By that yardstick, Germany has the sharpest spur with a rise of 162 per cent between those two ranks, Italy is second with 158 per cent and France next with 148. The UK comes sixth with 131 per cent, just ahead of the US's 129. The dullest spur is Sweden's 70 per cent.

Hungary

NOW to Hungary, where a general manager is wanted for a London-based mining company's joint venture with a local enterprise in quarrying and processing marble, granite and other stones, and in installing the results.

Initial selection for the job is being handled by consultant Graham Walker of Anthony Nevile International who, as he may not name his client, promises to abide by applicants' requests not to be identified to the employer at this stage. The same goes for the other headhunters to be mentioned later.

The recruit will be directly responsible to the UK board for the venture's business as well as manufacturing activities, which require reorganisation and development.

Candidates need success as hands-on line managers in the extractives industry, together with proof of marketing skills and commercial acumen.

Proficiency in Hungarian and other east European languages would be a marked advantage, but is not essential.

Salary will be around £40,000 plus "generous" share options. Other benefits for negotiation.

Inquiries to Mr Walker at 69 Midton Rd, Ayr, Scotland KA7 2TW; tel 0292 287969, fax 0292 611038.

Power

RECRUITER Jestyn Angus of Knight Wendling (95 Bothwell St, Glasgow G2 7JZ; tel 041-221 8676, fax 041 204 3913) seeks a sales and marketing director for a power engineering company in Scotland. Candidates need success in selling as well as managing worldwide marketing of costly equipment.

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Michael Dixon

APPOINTMENTS WANTED

MANAGER/INVESTMENT ADVISOR

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Our client, a pre-eminent German institution with a global network, has recently established subsidiaries in the IFSC Dublin engaging in international asset management. We have been retained to recruit a key manager to join this new operation.

Reporting to the Board, the person appointed will be responsible for managing investment companies *which engage in portfolio investments based mainly* in U.S. Bonds/Treasury markets and Eurobond markets. Management and motivation of a small dedicated staff together with support of marketing relationships with European corporate clients will form important elements of this position.

Candidates in the 35 - 45 year age group will be professionals with financial services sector experience gained, ideally, in a small to medium sized investment institution. The position will require good *communication skills, self-motivation* and familiarity with European and international bond markets. A knowledge of German is desirable, but is not a condition of the appointment.

An attractive remuneration package, including normal banking benefits and reflecting the seniority of this position, will apply.

Candidates should send full personal, career and salary details to: Brian Ward, Director, Stokes Kennedy Crowley Management Consultants, 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland, Fax: Dublin 7081122, quoting Reference Number 4138.

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Candidates, aged 30-45, should be of graduate calibre, with multicurrency credit experience gained in a fast moving banking, retail or service environment. The ability to manage and motivate staff is essential, as is an international outlook and a pro-active innovative style. The successful candidate should be able to *combine an interest in systems* and attention to detail with an entrepreneurial, marketing oriented approach. For an ambitious individual this challenging role will bring genuine opportunities for further career development.

Please reply in confidence, giving concise career, personal and salary details to Paul Carvosso, quoting Ref. L545.

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CORPORATE BANKING MANAGER

THE INTERNATIONAL FINANCIAL SERVICES CENTRE - DUBLIN

Our client, a subsidiary of a major European financial institution, established in the International Financial Services Centre in Dublin requires a Corporate Banking Manager to head up the corporate banking division of the Company.

The appointee will report directly to the General Manager and should be highly motivated and innovative for this senior position. The responsibilities will include the management of the existing portfolio and the development of new business, including large asset financing. Key requirements are persistence in the pursuit of objectives, a long term commitment, readiness to travel and negotiating capabilities at the highest levels.

Candidates should have 8 to 10 years *experience, at a senior level, of financing* transactions (including large asset financing) in either corporate banking or in a legal/taxation environment. Also a thorough working knowledge of international taxation/legal matters and their impact on complex financing structures is required. A good grasp of treasury, banking operations and eurocurrency lending is essential and extensive technical knowledge is assumed.

The ability to speak additional European languages would be an advantage, but is not essential.

The remuneration package will be designed to attract high calibre candidates and will reflect the seniority and significance of this appointment.

Applicants should send comprehensive personal, career and salary details to Sean Gannon at Stokes Kennedy Crowley Management Consultants, 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland, quoting Reference Number 4125.

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You will be involved in providing operational support for the Company's UK and overseas *investor relations activities. The range of duties is* varied and includes research and analyses and, at a later stage, developing relationships with the City *and international financial world.*

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Jonathan Wren Executive

Due to the upcoming legislative reform a leading Belgian financial institution, located in Brussels, is seeking **QUALIFIED TALENT IN SALES** for its domestic Belgian bond and Treasury certificates' desk.

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You will join a small, dynamic team of specialists covering the Foreign Exchange, Money and Securities Markets and derivative products whose responsibilities include counterparty credit and positional risk control in each of the market segments in a continually evolving environment.

Ideally you will be a graduate or have good O/A levels. Those who excel in the Maths/Analytical fields will be favoured. Candidates should also have a minimum of three years' direct experience in Treasury, preferably in the risk control area, and be PC literate. Good candidates will be disciplined self-starters and willing to work hard and to tight deadlines.

A competitive salary is offered plus excellent benefits including mortgage subsidy, annual bonus, luncheon allowance and non-contributory pension scheme.

If you wish to become part of our team, please apply immediately by sending a full c.v. to: Corinne E. Piller, Personnel Officer, Bank of America NT & SA, 26 Elmfield Road, Bromley, Kent BR1 1LR or telephone 081-313 2363 for an application form.

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Scandinavian Desk - Capital Markets Department

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Probably aged in your 20's and educated preferably to MA degree level, you must possess a solid banking background with a good understanding of the Scandinavian and European marketplaces. Fluency in the languages of Scandinavia are essential.

Your abilities will be rewarded with a highly competitive salary and generous banking benefits.

In the first instance, please send a full CV (together with a separate list of companies to whom you would not wish your application to be forwarded) to Catherine Rogan, Riley Advertising (London) Ltd., Confidential Reply Service, Riley House, 159 Hammersmith Road, London W6 8BS.

Please quote ref: FT/478.

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The career challenges and pressures of this role are considerable, offering you a very real opportunity to manage a new generation of services for the community in a progressive Authority.

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Ethnic minorities, women and people with disabilities are significantly under-represented at senior levels within the Council and, therefore, we particularly welcome applicants from these groups.

For a comprehensive briefing document and application form, please contact Dave Wetzel, The Leader, London Borough of Hounslow, Civic Centre, Lampton Road, Hounslow, Middlesex TW3 4DN. Telephone 081-862 5919 (24 hour answer service), quoting Ref. PD/40/18.

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Our client, a leading London-based merchant banking and financial services group, is seeking to recruit a Chief Executive for its recently established subsidiary company in the International Financial Services Centre of Dublin in the Republic of Ireland. The principal activities of the new company are asset financing, asset management and corporate and investment administration.

Candidates for this important position will be expected to demonstrate the following qualities:

- education to degree level;
- MBA or equivalent qualification;
- directly relevant experience as a director of (or occupying a senior management position within) a recognised financial services company;
- highly developed marketing skills; and
- ambition, enthusiasm and proven leadership ability.

The successful candidate is likely to be in the age range 35–45 and will take charge of a small but dynamic team in an environment which offers great potential for business growth.

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Applications in writing, accompanied by summary C.V., should be addressed to:

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The Netherlands

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MANAGING DIRECTOR

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The Company which has approximately 85 employees is situated in a rural area in the Eastern part of the Netherlands

The Managing Director reports directly to the Board of Supervisors and will work closely with the Chairman of the Board.

In addition to general management of the Company the successful candidate will be expected to:

* Maintain current growth trends through new product development.
* Lead the company into a diversification program
* Ensure that the Company's products comply with current and forthcoming GMP standards.

The ideal candidate will be in the age range of 38-45 years with a successful background in General and/or International Sales/Marketing Management, preferably in the scientific instrument market. The ability to speak Dutch is preferable, but not essential.

Please forward application and resumé in English, marked "Strictly Confidential" to The Managing Director, P.O. Box 100, 6950 AC DIEREN The Netherlands

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The ideal candidate will be a computer-literate graduate who has a minimum of 3-4 years experience preferably with exposure to the UK as well as Continental Europe. Self-motivation, determination and the ability to work effectively with a team are essential.

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The Equities Investment Manager will be working mainly on Canadian and U.S. listed Equities and will become involved with all activities within the department including analysis, research and management.

For those candidates who are adaptable and flexible and work well in a team environment, the career prospects are excellent.

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You will have full responsibility for your own portfolio of companies, and would be expected to become recognised as a commentator within the financial and business communities.

To be a candidate, you should be able to demonstrate a high level of academic achievement with a first degree from a premier university, possibly complemented with an ACA or MBA. You will be familiar with accounting procedures and company or industry analysis. In addition to full banking benefits, the position carries a generous salary with the scope to achieve substantial earnings.

To apply, please write in confidence to **Jonathan Head, John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP (Fax: 071-222 3445)** or telephone **071-222 7733** for a confidential discussion.

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ACCOUNTANCY COLUMN

Industry makes itself hostage to fortune

By David Waller

THE Confederation of British Industry, the 100 Group of top finance directors and the Institute of Chartered Accountants in England and Wales have all made themselves hostages to fortune.

In their submissions this year to the Accounting Standards Committee on the subject of goodwill, all three said financial reporting in the UK was in need of fundamental reform.

Whether those three bodies really meant that, or whether their disgust for accounting in general was only a cloak for their dislike of the ASC's goodwill proposals in particular, will soon become clear.

Next week the Accounting Standards Board, the ASC's successor, will meet to consider a radical new agenda for financial reporting in the UK. A day later, the Financial Reporting Council, which includes representatives of the CBI, the 100 Group and the ICAEW, will consider its own position.

The radical agenda is contained in an (unpublished) document which is likely to go down in accounting history as the Boyle Report – after Mr Paul Boyle, financial controller at W. H. Smith, a stalwart of the Research Committee of the Institute of Chartered Accountants in Scotland and more recently chairman of the so-called Financial Reporting Action Group.

The group was set up in April last year by the research committees of the ICAEW and the Scotland institute with a view to defining a realistic and practicable agenda for improving financial reporting in the UK.

The emphasis on realism means no boffinry and no insistence that the panacea to all accounting ills lies in forcing companies to take account of changing prices, however necessary that may have become in the present era of 10 per cent-plus inflation.

It has not stopped the committee, comprising two members of the Scotland institute and two ICAEW members, from reaching some fairly revolutionary conclusions.

There is a strong likelihood that their views will be shared by at least one member of the ASB itself, namely

Emphasis on realism in proposed form of financial reporting means no boffinry

Professor David Tweedie, its chairman, who happened to sit on the action group until his elevation to the ASB post earlier this year.

The document starts with the premise that the present system of financial reporting is unsatisfactory, for the following reasons: it is based on historical rather than current numbers; there is too much emphasis on just one number – earnings per share – a figure which is easily manipulated; there is insufficient attention to cash and liquidity; and legal form takes precedence over economic reality.

Accordingly, the action group makes the following recommendations:

- *Assets on the balance sheet should* be stated at replacement cost, on a consistent basis. At present, the balance sheet *is a hodge-podge of assets* stated on any of three bases: historical cost; up-to-date revaluation; or revaluation at some time in the past.

The action group says all assets – not just fixed ones but working capital as well – should be recorded at current prices. Changes in the value of assets would be posted to reserves and a statement of gains and losses would make clear what had happened from year to year.

- Corporate reports should contain a statement of shareholder gains, which would be designed to provide a link between the profit-and-loss account and the new-style balance sheet. That would distract attention from the earnings-per-share number. Emphasis would be on shareholders' wealth – the total appreciation in the value of the company from year to year.
- Companies should publish a cash-flow statement, rather than the less informative statement of the source and application of funds.
- Companies should publish profits forecasts. "Companies are quite capable of doing this when they want to," says Mr Boyle, "for example, during takeovers." Not unreasonably, he believes that users are interested in accounts primarily because of what they tell about the future. Publishing a forecast seems a good way of giving some useful information about the *future, Mr Boyle will argue.*
- The action group will reaffirm the need for companies to pay attention to the economic substance of business *activity rather than the legal form.*

Those ideas will be familiar to those who read Making Corporate Reports Valuable, *the radical document that* emanated from the Scotland institute's research committee during 1988.

That report went a lot further and it was possible to write off the whole project as unworkable.

Stripped of the more far-fetched ideas, Mr Boyle's recommendations will cause far greater consternation

Motion for companies to carry assets at current values will upset corporate world

among members of the CBI and the 100 Group than they did in 1988.

The least contentious proposal is the suggestion that companies should publish a cash-flow statement – that is the subject of one of the ASC's last exposure drafts and seems utterly sensible. There may be conceptual difficulties with the statement of shareholder gains, but not outright hostility.

On the other hand, the recommen*dation that companies should* carry assets at current values will upset the corporate world, partly because of the *cost of paying professional advisers to* produce an annual valuation, partly because it is a step in the direction of fully fledged inflation accounting.

*The recommendation that compa*nies should publish forecasts will provoke a furore. Managers will no doubt *argue that the information is for pri*vate internal use and that in any case it is difficult to predict with any accuracy what profits are going to be a year ahead.

Mr Boyle will respond with two compelling arguments. He will say that companies already have their ways of leaking forecasts to the stock market, primarily over lunch with stockbrokers' analysts. Why can the procedure not be formalised for the benefit of shareholders at large? he will ask.

He will also say that it does not matter if the forecasts turn out to be wide of the mark: it will be useful to read managers' explanations of why actual performance was so different from the predictions.

How he intends to make sure that companies aim to represent economic reality rather than legal form remains to be seen.

It is likely that the Financial Reporting Council will conclude its meeting next week with a declaration of general intent, backing Sir Ron Dearing, the council's chairman, in his belief that the time is right for change.

It will not be difficult for the CBI, the ICAEW and the 100 Group to go *along with the grandiloquent words.*

The real pain will come later, if and when Professor Tweedie and his colleagues *on the ASB decide to* back the Boyle Report.

Group Finance & Planning Manager

Food Retailing

c. £35,000 — North West

Exceptional and challenging opportunity for a young, high-calibre accountant to become a key member of the financial management team of a leading national food retailer.

THE COMPANY

◇ £1.5 bn plc food retailer, impressive profit and growth record.

◇ Wide national presence with future growth plans, both organic and by acquisition.

THE POSITION

◇ Report to Group Financial Director with close liaison at Chief Executive level.

◇ Responsible for Group corporate planning both annual and three year. Preparation of Group monthly financial performance summaries.

◇ Co-ordinate acquisition searches and establish financial evaluation models.

◇ Key role in effecting financial management of acquisitions. Involvement with Group treasury function.

QUALIFICATIONS

◇ Highly qualified accountant, probably a graduate, late 20s to early 30s.

◇ Acute financial skills. Experienced in corporate finance with emphasis on acquisitions.

◇ Some experience of treasury management preferable.

◇ Strong analytical skills. Articulate team player.

Please write, enclosing full cv, Ref MJ4089, **Courthill House, Water Lane, Wilmslow Cheshire SK9 5AP**

SELECTION

MANCHESTER • 0625 539953
BIRMINGHAM • 021-233 4656 • LONDON • 071-493 6392 • GLASGOW • 041-204 4334
BRISTOL • 0272 308639 • SLOUGH • 0753 694844 • HONG KONG • (HK) 5 217133

Deputy Treasurer

International Oil Company

To £50,000 — Central London

Excellent management opportunity, offering professional challenge, wide ranging responsibilities and first rate prospects.

THE COMPANY

◇ A leading exploration and production company with outstanding reputation for speed and quality.

◇ Top ten North Sea operator with major developments in progress and active exploration programme.

THE POSITION

◇ Management role leading team of six in function of vital commercial importance.

◇ Full responsibility for cash and business forecasting, cash management, banking, money market, FX trading and risk analysis.

◇ Close involvement in joint venture negotiations and complex project and corporate financing.

QUALIFICATIONS

◇ Strong Treasury professional, aged 27 - 40, with experience of all aspects of cash, banking and FX management.

◇ Intellectual ability to tackle intricate funding negotiations.

◇ Upstream oil industry experience, degree and relevant qualification all preferred, but secondary to professional excellence.

Please reply in writing, enclosing full cv, Reference BJ4087
NBS, Bennetts Court, 6 Bennetts Hill, Birmingham, B2 5ST (Interviews in London)

SELECTION

BIRMINGHAM • 021-233 4656
LONDON • 071-493 6392 • MANCHESTER • 0625 539953 • GLASGOW • 041-204 4334
BRISTOL • 0272 308639 • SLOUGH • 0753 694844 • HONG KONG • (HK) 5 217133

Financial Director

North West, c £40,000 Package

Part of a large and dynamic group this highly successful company has an excellent reputation for manufacturing products of the highest quality to a wide range of customers. Due to the rapid growth of the business both organically and by acquisition they now seek to appoint a Financial Director of the highest calibre to guide the company through this exciting phase of their development by implementing and managing all controls in a fast moving environment. Reporting to the Managing Director the key responsibilities will be to ensure tight financial control and management, the monitoring and reviewing of results and advising the Managing Director on all finance matters. A very active participation in the key business and strategic decisions of the company is required. Preferably aged 30-40 you will be qualified with a minimum of eight years post qualification experience at Financial Controller/Director level within a manufacturing environment. It is essential that you have well developed communication skills, are commercially aware and can demonstrate a hands on approach. The very attractive package includes a basic salary to c £32,500, a profit related bonus scheme, executive car and other benefits associated with a progressive group. In addition relocation assistance will be given where appropriate. Career prospects are excellent.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *G.J. Deakin*, Hoggett Bowers plc, *13 Frederick Road, Edgbaston*, BIRMINGHAM, *B15 1JD*, 021-455 7575, Fax: 021-454 2338, *quoting Ref: B18197/FT*.

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

c. £60,000 — ***Major Engineering Manufacturing PLC*** — ***North East***

Finance and Commercial Director

Influential appointment to the top management team of a £100m division of a respected UK plc. Unusual scope for an enterprising finance professional of exceptional calibre to assume a pivotal role guiding and monitoring a range of international companies. Real accountability for both fiscal and commercial performance, and input to strategic development and acquisition led growth. Excellent progression prospects.

THE ROLE

■ Reporting to and working closely with the Divisional Chief Executive, with full accountability for optimising the financial management and disciplines of a group of successful international businesses.

■ Forging close links with senior operating management, reviewing progress against stated goals, managing the planning process, and contributing to a range of commercial activities including major contract approval, strategic development and acquisition integration.

■ Prominent, active role linking the operations with the Group Board, delivering real added value to the businesses.

THE QUALIFICATIONS

■ Bright, highly motivated ACA/FCA who has achieved demonstrable accountability for the financial management of a well run plc subsidiary. Experience of international trading important. Manufacturing and capital goods exposure desirable. Likely to be mid 30s – mid 40s.

■ Pre-eminent professional skills tested in a progressive, changing environment. Prior close involvement with commercial activities.

■ An enthusiast with drive and initiative, credible at the most senior level. Proven business instinct, strong management aptitude and the personal style to inspire others.

London 071-493 1238
Manchester 061-941 3818

Selector Europe
A Spencer Stuart Company

Please reply, enclosing full details to: Ref F4571001. Brook House, 113 Park Lane, London W1Y 4HJ.

National Westminster Bank PLC

BANKING

CHALLENGING OPPORTUNITIES FOR SENIOR FINANCIAL PROFESSIONALS

Our client, National Westminster Bank Plc, is one of the top 20 international banks in the world with extensive operations throughout the UK, Europe, US and the Far East. Total assets exceed £116 billion and the Group employs over 113,000. Following a major review, the Group Audit function, now numbering over 400, is to be substantially strengthened with the appointment of two Senior Managers and up to 30 Qualified Accountants.

Senior Managers — c.£40,000 + car and substantial benefits

Each Manager will be responsible for one of the two main divisions of the Bank's operations:

- Domestic Retail Banking, Credit Finance, Home Loans, Insurance etc.
- International Business worldwide, including International Private Banking

Prime tasks will be to plan, monitor and control all aspects of the group audit work in the division including compliance, operational and efficiency audits and the use of specialists in fraud and computer reviews wherever necessary.

Applicants should be graduate chartered accountants with wide experience of financial services. They should have excellent communication and management skills, complete integrity, and the maturity to command the respect of senior executives throughout the Bank, with whom they will have considerable contact, as well as of their own staff. Applicants for the International Division should have reasonable fluency in at least one other language. Ref No. 4545/3.

Qualified Accountants — From £25,000 + car and substantial benefits

Additionally the Bank seeks to recruit a number of well qualified graduate accountants with at least one year's post qualifying experience either with a major firm or directly in financial services. Each will be expected to join or lead small teams, some concerned with operational efficiency reviews and others specialising in computer audit or fraud investigations.

Applicants should positively intend to develop their careers in banking and related financial services. They will need considerable tenacity and determination, as well as intelligent judgement. They should be prepared to accept a considerable commitment to travel, principally but not exclusively within the UK. Ref No. 4545/4.

For all these positions the Bank is seeking candidates of well above average ability; they should have the development potential to be able to build exciting careers within the Bank. In addition to the salaries and car quoted above, candidates will benefit from a substantial benefits package including a subsidised mortgage, non-contributory pension scheme, profit share, and a performance related incentive scheme.

Please write in confidence with full career and salary details, quoting the appropriate reference number to John Hills.

KPMG Peat Marwick Selection & Search
70 Fleet Street, London EC4Y 1EU

Group Finance Director

c £60,000 + car + benefits
North of England

Part of an £8 billion continental group, with turnover of around £50m, our client is undergoing a process of rapid change in its structure and scope of operations. A high calibre and strongly commercially orientated Group Finance Director is now sought to both support this process and add strength to the overall management of the company.

Acting as his number two, and working closely with the Managing Director, the position will play a central role in the company's commercial and strategic decision making, as well as having total responsibility for the finance function. Immediate priorities are likely to involve the integration of two major subsidiaries and a focus upon deriving the maximum benefit from a major upgrading and investment in new systems hardware.

A qualified accountant, prior experience at a senior level within at least a medium sized plc is a prerequisite, as is both a strong systems bias and a successful track record of contribution towards the effective commercial as well as financial running of such a business. Exposure to handling large capital/revenue projects and strengths in the fields of tax and treasury would also be useful.

Critically, however, a resilient, tough minded yet tactful individual is sought with the proven capacity to cope with the steepest learning curve and the ability to rapidly gain and maintain the confidence of colleagues, subordinates and key personnel at the parent head office.

An attractive salary and relocation package will reward the extensive commitment expected of this ambitious and energetic individual. More significantly, however, the opportunities for progression are both real and considerable — either as MD or to a more senior Group FD role elsewhere within the fast expanding world operations of the parent group.

To pursue this further, either telephone Hamish Davidson for an informal discussion or write to him quoting reference H/1102FT enclosing a full CV and salary information.

Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL.
Tel: 071-939 5833.
Fax: 071-403 5265.

Price Waterhouse

Two Outstanding Accounting Career Opportunities

Major British Financial Services Group

GROUP TREASURY ACCOUNTANT

City

Package c.£35,000 + car

To join a small, high quality, central finance team to manage the reporting and control needs of the Group's newly formed treasury accounting function.

Reporting to the Corporate Financial Manager, you will provide specialist treasury accounting expertise to a dynamic Group Treasury function and be responsible for developing and implementing all financial control and performance tracking systems.

You will be a qualified accountant with at least two years relevant experience within the profession or an innovative treasury function.

SYSTEMS & DEVELOPMENT ACCOUNTANT

North London

Package c.£33,000 + car

To take charge of the systems accounting and development needs of a large operating Division, with regular input into Group development projects.

With a strong systems base, you will be familiar with the software requirements of large computerised general ledger systems and enjoy using your analytical skills in an environment which encourages lateral thinking.

You are likely to be a qualified accountant with *strong systems* experience or, as a seasoned business analyst, will have successfully implementated large software packages within a complex organisation.

Exchange of business skills across the Group is positively encouraged and further management appointments within the UK or on the international circuit are likely following success in these roles.

For further information please contact Kathryn Longworth-Krafft on 0844 261200. Alternatively write to her at **PHILIP JAMES ASSOCS**, 17, Thame Park Road, Thame, Oxon, OX9 3XD or fax: 0844 261690.

A Zealand James Company

FINANCE DIRECTOR

Cotswolds/West Midlands c.£40,000+car and benefits

Our PLC client has a unique growth business in the construction and operation of multi-million pound process plants throughout the UK.
This new appointment is for a highly qualified and commercially oriented Finance Director who will work closely with the Managing Director to ensure adequate funding for future growth. This pro-active management position requires an experienced FCA with a successful track record in the financing of major projects by investment and lending institutions.
In addition to having full responsibility for all finance and accounting functions at the company and its subsidiaries, the Finance Director will also control profit planning and reporting, and will be expected to make a significant contribution to strategic plans and policy development. Strong analytical and communication skills are essential; an MBA would be of advantage.
The remuneration package is negotiable and includes a quality car and excellent benefit programmes.
Please send CV's and recent salary history to R.M.C. Holland.

HOLLAND • OWEN • PARTNERSHIP
Recruitment Advertising Service
276 Monument Road, Edgbaston, Birmingham B16 8XF

All applications will be forwarded to our client unopened. If you do not wish your letter to be sent on to a particular company, please so indicate on the back of your envelope and show a return address.

Director of Finance

A YOUNG, FAST DEVELOPING BUSINESS
NORTH WEST • CIRCA £30,000 PLUS CAR

Only formed in 1988 this rapidly growing £4m turnover company has an increasing market share and an unrivalled opportunity to expand in the hi-tech, high precision field of on-line quality control. Recognition of its expertise and innovative products has already achieved a strong presence worldwide, particularly in the USA where it has established a sales and marketing operation to capitalise on significant market opportunities.

The appointee will be expected to make a strategic contribution to the growth and profitability of the company, whilst ensuring a first class accounting service through teams in the UK and USA. Although an initial priority will be the provision of management information systems, responsibilities of this wide ranging role will include giving advice on future acquisitions and, as Company Secretary, ensuring that all statutory requirements are fulfilled. Candidates, probably aged late 20's early 30's, must be qualified - preferably Chartered Accountants, with previous industrial experience. The company offers exceptional opportunities for career development and participation in its future growth.

Interested applicants (male or female) should send a detailed CV or ring for an application form on 0625 533364 (24 hours) quoting reference 1726/FT.

WICKLAND WESTCOTT
HUMAN RESOURCE CONSULTANTS
Emerson Court, Alderley Road, Wilmslow, Cheshire SK9 1NX. Telephone (0625) 532446

ISOSCELES

A BUSINESS FINANCE ROLE FOR A YOUNG ACCOUNTANT

Central London To £35,000 + car

Isosceles PLC completed the largest leveraged buyout ever undertaken in the United Kingdom when it acquired The Gateway Corporation in 1989. Formed with the express intention to revitalise and restructure one of the largest food retail organisations in the UK, Isosceles has made substantial progress towards its objectives. A streamlined business with excellent growth potential is the result.

Working as part of a small, close-knit head office team, you will be directly involved in all aspects of the financial management of the business. Particular areas of responsibility will be the monitoring and analysis of group results, budgeting and planning, cashflow consolidation and interpretation, and a variety of demanding business finance related projects.

You will be a qualified accountant aged 26-32, with a high degree of motivation and a desire to work in a stimulating environment. Your experience is likely to have been gained in audit with a major accountancy practice and may be backed with expertise gained outside the profession in a large company background. You will be highly computer-literate, analytical and possess first rate communication skills. You must be flexible and able to cope with changing priorities and responsibilities. Above all you will be a team player keen to make an impact in a dynamic company.

Please reply in confidence, giving concise career, personal and salary details to Brendan Keelan, quoting Ref. L546.

Egor Executive Selection
58 St. James's Street
London SW1A 1LD (071-629 8070)

EGOR EXECUTIVE SELECTION

United Kingdom · Belgium · Denmark · France · Germany · Italy · Netherlands · Portugal · Spain · Sweden

ASSISTANT GROUP TREASURER

Thames Valley To £35,000 + Car

This rapidly expanding group is committed to enhancing its position as a significant player in the UK retail financial services sector. The past two years have seen substantial investment and concentration on core activities. Market share has now increased significantly as a result.

This expansion has resulted in a requirement for an Assistant Group Treasurer to join the financial management team.

Reporting to the Treasurer, the role will require multi-discipline skills including negotiation and servicing of banking facilities together with evaluation of financing transactions.

Educated to degree level, the successful candidate will have exposure to detailed client negotiations within a financial services organisation, or have a recognised financial qualification and extensive treasury experience within industry. It is anticipated that candidates will be aged between 25-32.

The benefits package will include an attractive salary, company car, non-contributory pension scheme and private healthcare.

For further information,please contact Andrea Black on (0753) 831515 (fax 0753 831171), or write, enclosing a brief CV, to the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
4A High Street Windsor SL4 1LD
Telephone: (0753) 831515

FINANCIAL CONTROLLER

Leading Cable Television Operator

Surrey c.£38,000+car+benefits

Our client, the UK division of a major US cable television company, is rapidly expanding its cable television franchises in the UK with significant planned investment over the next two years.

Reporting to the Finance Director, this position will have responsibility for the management and development of the financial control function. This will include the implementation and maintenance of accounting policies, procedures and controls for the UK cable and programming operations, ensuring uniformity with the US parent company. The appointee will liaise between the cable networks and corporate headquarters in the UK and will develop improved management reporting systems. The role will also include the introduction of new computerised accounting systems and various ad hoc projects associated with a young, growing company.

Candidates will be graduate chartered accountants who have qualified with one of the 'Big 6' and who have a sound knowledge of US GAAP reporting requirements. This wide-ranging role will appeal to individuals who enjoy the challenge of getting to grips with complex technical accounting issues. Equally important are people management skills, the drive and initiative to develop systems from scratch and the interpersonal skills to liaise effectively with the US parent company.

Please write, in confidence, to Bernadette Laffey quoting reference U3220/2, providing full career and remuneration details, day and evening telephone numbers.

KPMG Peat Marwick Selection & Search
70 Fleet Street, London EC4Y 1EU

Factory Accountant

A Senior And Autonomous Role With A High Profile 'Blue Chip' Manufacturer

East Anglia, To £28,000, Car, Benefits

A progressive management team and constant investment in 'state-of-the-art' capital equipment has made this £135m plc a household name and one of the most successful food manufacturers in the industry.
As part of their exciting development plans, they are now looking to appoint an experienced accountant to be responsible *for the development and* provision of management information at their 'flagship' site. This is made up of three distinct factories and represents well over half the company's manufacturing capacity.
Reporting to the General Manager, you will be qualified, with a proven track record in management accounting gained within a manufacturing environment. You will also have a good understanding of computerised systems, be able to lead and motivate a small enthusiastic department and have the drive and personality to win the confidence of the *management team.*
Career prospects in this vibrant expanding environment are good and comprehensive relocation assistance is provided to this highly attractive area. This includes the provision of fully furnished short term family accommodation where necessary. The remuneration package includes a high salary which is truely negotiable, profit share, fully expensed car, pension scheme and BUPA.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *J. Thorne,* **Hoggett Bowers plc,** *61-69 Newmarket Road,* **CAMBRIDGE,** *CB5 8EG,* **0223-324441, Fax: 0223-323250,** *quoting Ref: F13087/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

UCI
UNITED CINEMAS INTERNATIONAL (UK) LIMITED

Business Auditor

London W1

£28,000 + Car

United Cinemas International are leading the field in the development and construction of multiplex cinemas.
They currently operate 18 sites in the UK and seek to increase this to 33 by 1993. In Germany a similar rate of growth is planned, and longer term development throughout the rest of Europe *will help ensure their continued market dominance. The* Group also owns and operates cinemas in other territories, notably Brazil, Spain and Portugal.
This growth has led to a newly created position reporting directly to the Vice President – Finance. You will enjoy considerable autonomy and responsibility, liaising closely with senior *management in the undertaking of various financial and* management assignments. These will be aimed at improving controls and reducing risk exposure at the operating sites in the UK and occasionally overseas.
This highly visible role requires a self motivated qualified Chartered Accountant aged 26-29, with some post qualificaton experience and good communication skills.
To apply please contact Andrew Fisher on 071-233 5204 or write to him at JPMS.

J|P|M|S RECRUITMENT CONSULTANTS

JPMS Recruitment Consultants
3 Catherine Place
Westminister London SW1E 6DX
Telephone: 071-233 5204
Facsimile: 071-233 6971

Corporate Analysis and Audit

Cambs C£27.000

Listed on both the London and New York stock exchange, our client is a rapidly expanding British company with activities in the UK and US. Well *placed to benefit from the growing green* movement, turnover in the last three years has tripled. Future plans include expansion into Europe.

This new role will report to the group financial director and is seen as an excellent entry point for a bright young chartered accountant looking for increasing commercial responsibility.

The role will involve some overseas travel to America and in Europe. Duties will include:

- Audit and review of financial and operational systems and advising on improvements.
- Involvement with the establishment of company DP systems.
- Follow up reviews of capital investment projects.
- Post acquisition reviews at newly acquired subsidiaries.
- Assisting in the development of group policies.

Ideal candidates will be chartered accountants with between 2 to 5 years post qualification experience. You will be involved in extensive liaison with subsidiary controllers and should be capable of communicating clearly.

Future prospects are good. With continued expansion there is a strong likelihood of a line role within 18 months to 2 years.

For further details contact Susan Haworth B.A. AECI.

Phoenix

PHOENIX RECRUITMENT CONSULTANTS LIMITED
MILTON HALL, CAMBRIDGE CB4 4AB.
Tel: 0223-441661 Fax: 0223-440851

GROUP FINANCIAL CONTROLLER

Surrey — Up to £40,0000+Car+Benefits

Operating from an exceptional period house located near Leatherhead, our client is a major property investment company which has flourished through organic growth and enjoyed continued success throughout the last 30 years. The company believes that this impressive record hinges just as much on strong financial management as on shrewd investment in bricks and mortar.

In line with the growth of the business, the role of Group Financial Controller has now been created both to assist the Finance Director – who was recently appointed as Group Managing Director – and to take over responsibility for all day-to-day financial management. As well as supervision of the existing accounting team, the role will embrace a wide range of tasks including management and financial accounts – both overseas and UK, computers, treasury function, consolidations, budgets and cash flow, taxation matters and secretarial functions for the many subsidiaries.

The ideal candidate will be a young graduate chartered accountant, with the requisite technical skills and knowledge of computer based systems to improve current working methods, who would thrive in an entrepreneurial and changing environment. Capable of communicating with all levels of management, the person appointed will develop the role as part of a relatively informal but disciplined senior management team.

If you are interested in this position, please reply in confidence, providing a CV, present remuneration, day and home contact numbers, quoting reference number P4226 to Mrs Carey Wright at the address below.

KPMG Peat Marwick Selection & Search
70 Fleet Street, London EC4Y 1EU

Financial Controller

Essex/Herts Border — to £35K + Bonus + Car

Our client is a profitable £17 million turnover manufacturer of high volume electronic products. The company – a successful player in its own right – is a subsidiary of an international hi-tech electronics plc which is looking to continue its impressive organic and acquisition based growth record.

Reporting directly to the managing director, the controller will act as an integral part of the management team. In addition to providing extensive commercial input, the successful candidate will be responsible for controlling accounting, administration, reporting and project work in areas such as investment appraisal and systems review.

Prospective candidates will be qualified accountants probably in their 30s with a successful track record in manufacturing industry. Strong commercial acumen combined with a hands-on approach to the business are essential prerequisites for the role. In return, the company offers an outstanding salary and bonus package with the potential for progression to board level.

Please write enclosing a full C.V. with daytime telephone number to David Head,
Michael Page Finance, Centurion House,
136-142 London Road,
St. Albans AL1 1SA.

MP
Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Finance Director

West Yorkshire — Package in excess of £40k + Car + Benefits

Our client is an internationally renowned, medium sized manufacturing group supplying high quality engineering products to a diverse range of industries. It is seeking to appoint a Finance Director for one of the main operating companies in the group.

This multi-sited company is run as an 'autonomous business' within the group and has manufacturing and distribution operations in the UK, Europe and North America.

Reporting directly to the Managing Director, you will be responsible for running an efficient finance and administration function, controlling cash and producing timely and accurate management information. Operational reviews and business strategies for growth, both organic and acquisitive, will form additional areas of responsibility.

The candidates for this position will be qualified accountants (preferably A.C.M.A.) with first class technical and interpersonal skills allied to a determination to succeed in a financially demanding environment.

Interested applicants should contact James J. Russell, quoting ref: L8543, at Michael Page Finance,
Leigh House, 28-32 St. Paul's Street,
Leeds LS1 2PX. Tel: (0532) 450212.

MP
Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Senior Management Accountant

Attractive tax free salary

Our client a major oil company in the Gulf Region, requires a high-calibre Senior Management Accountant.

You will lead a team providing and interpreting management information. In particular this will involve the preparation of the corporate budget, development and control of all costing systems, administration of the overall sales accounting function, and management of the Company's insurance portfolio. You will also be involved in the preparation of monthly and periodic financial and management accounts, and strategic long term plans.

This is a high profile role requiring initiative and a pro-active approach to problem-solving.

You will probably be a graduate, CA, CIMA, ACCA qualified, have a minimum of five years' post qualification experience and possess good interpersonal and management skills.

There is a large community of expatriates enjoying a relaxed, high standard of living. Advanced medical services, quality educational facilities, varied sports activities, top hotels and restaurants, traditional and cultural affairs all provide a rewarding life style for the discriminating resident.

As well as an excellent tax free salary you'll also enjoy a generous benefits package which includes free furnished accommodation, 26 working days' annual leave, medical care, family air fares and education allowances. Please apply in writing with full details to John Strang. Ref: 1291/6, MSL International (UK) Limited, 32 Aybrook Street, London W1M 3JL.

MSL International

ROBERT HALF
Financial Recruitment Specialists

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

INVITE YOU TO A
BUSINESS BREAKFAST

TREASURY IN THE 1990's

Risk taking or Risk Management?

AT THE SAVOY HOTEL, STRAND, LONDON WC2
ON WEDNESDAY 7TH NOVEMBER
8.30am - 9.30am

The talk will be given by Gerald Leahy, Director General of the Association of Corporate Treasurers and John Grout, Director of Treasury at Cadbury Schweppes plc and will cover:

- Treasury in its financial and organisational context.
- Key elements of the job.
- Managing the balance sheet in the 1990's.
- Treasury as a profession.

Gerald Leahy is Director General of the Association of Corporate Treasurers. Most of his business career was spent with Unilever - latterly as Treasurer of Unilever plc. He also spent some years in private and merchant banking before becoming the Association's first Director General. He is a founder member of the Association and a past President.

John Grout is Director of Treasury at Cadbury Schweppes plc, where he has responsibility for the Group's Corporate Finance, Tax and Treasury Departments. He was Group Treasurer of BICC plc until the end of 1986, having previously spent 12 years with BL plc. He is Vice-Chairman of Council of the Association of Corporate Treasurers.

(Places at the breakfast are strictly limited.)

If you wish to attend, please contact Greg Ripley at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R OBR. Telephone: 071-836 3545.

FINANCIAL DIRECTOR

SOUTH WEST
c. £30,000 negotiable + car + benefits

Bonded Fibre Fabric Ltd, a recently acquired subsidiary of Lamont Holdings plc, is a leading European manufacturer of drylaid nonwoven fabrics. Large investments in its plant and machinery have taken place recently in order for it to expand its £20m annual sales to a wide range of industrial and retail customers.

Reporting to the Managing Director, you will play a key role in the company's decision making process. In addition to providing the full range of accounting services, including monthly reports, forecasts and annual plans, you will be expected to give priority to selecting a new computer for the company's Management Information systems.

Aged over 35 and ideally educated to degree level or equivalent, you must be a qualified accountant with industrial experience in a multi product manufacturing company. Extensive business acumen and ability to manage change are essential ingredients in an extremely competitive market.

If you are looking for a career in which you will play a key role in reorganisation and which could lead to opportunities in General Management, please send full career details in confidence to GERRY ALEXANDER, PERSONNEL MANAGER, BONDED FIBRE FABRIC LIMITED, BATH ROAD, BRIDGWATER, SOMERSET TA6 4NZ.

Finance Director

Manufacturing

Northern Home Counties, c £37,500, Car, Benefits

As one of the fastest growing manufacturers of Storage Systems in the United Kingdom, this £17 million turnover company has established itself as a market leader in its field. They have invested heavily in plant and equipment and have a growing and impressive customer base.

Reporting to the Managing Director, you will assume full responsibility for all financial aspects of the business with particular emphasis on systems review and update.

This position demands a commercially aware, proactive individual who has the ability to make a major contribution to the future growth of the company.

You will need to be a qualified accountant, aged 35 plus, with substantial experience gained within a manufacturing/engineering environment.

This challenging role requires a highly motivated 'hands-on' manager who is capable of being involved at all levels of the business.

In addition to the attractive salary, benefits include a company car, family health cover and relocation assistance where appropriate.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *J.C. Tilbrook*, Hoggett Bowers plc, *61-69 Newmarket Road,* CAMBRIDGE, *CB5 8EG,* 0223-324441, Fax: 0223-323250, *quoting Ref: F16014/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, ST ALBANS, SHEFFIELD, WINDSOR and EUROPE

ACCOUNTING MANAGER

Cambridgeshire/Bedfordshire — £20,000-£25,000 + Car

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday October 12 1990

INSIDE

CPC raises net earnings by 13%

CPC International, the US food group which recently acquired Marmite in the UK, has lifted net earnings for the third quarter by 13 per cent. Richard Shoemate, the group's chairman and chief executive, said sharply improved results from the group's European and Latin American consumer foods operations were largely responsible for the increase which was in line with market expectations. Page 22

Open book on UAL game

The closely-followed takeover game which at one stage sent share prices in UAL, parent of bid target United Airlines, soaring, shows all the signs of drawing to a close. The stock has fallen to around $89 — compared with $103 at the end of last week. The broad consensus is that UAL shares should trade at around $75-$95, all bid considerations aside. But the story at United might not be not over just yet, says Nikki Tait. Page 22

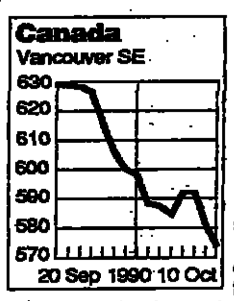
Istel survives gorilla tactics

Istel, the UK information services group, has survived its first year since AT&T's takeover with few ill effects. Fears that the big US group — which the Istel chairman described as an "800lb gorilla" — would squash the life out of the company are so far unfounded. But, although the acquisition does not appear to have caused significant problems, it has yet to produce dramatic benefits. Hugo Dixon reports. Page 27

Battle for Sweden Inc.

An unacceptable extension of public power into company ownership, or a natural route for developing Sweden's domestic investment strategies. Such opposing views lie at the heart of the Stockholm government's alliance with the blue-collar workers union to strengthen the role of the state pension funds in the private sector by allowing them to invest directly in the stock market. Robert Taylor reports on the latest development in the battle for Corporate Sweden. Page 25

Vancouver works on its image



Long regarded as one of the more colourful North American stock exchanges with many larger-than-life stock promoters, the Vancouver stock exchange is struggling to shed its reputation of "scam capital of the world". With stock values now at their lowest for a decade, exchange officials have tightened listing requirements and instigated disciplinary actions against rogue operators. Back Page

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	685	+	10
Daimler-Benz	593.5	+	10.5
Horten	217	+	32
Rheinmetall	305	+	17
Schering	659	+	23.5
Falls			
Springer	700	—	10

NEW YORK ($)			
Rises			
Wal-Mart	25⅞	+	⅛
Falls			
Fannie Mae	26⅛	—	1¼
IBM	101¼	—	2¼
Philip Morris	44⅞	—	⅞
Chem. Banking	14½	—	⅞
Citicorp	13¾	—	⅝

New York prices at 12.30.

PARIS (FFr)			
Rises			
CFAO	408	+	10
GTM-Ent.	377	+	17
Valeo	321	+	12
Falls			
Darsart	2100	—	82
Ecco	295	—	15
Radiotech	370	—	15

TOKYO (Yen)			
Rises			
Izumiya	2250	+	160
Falls			
Amano	1800	—	110
Honshu Paper	2950	—	250
M'bishi Whse	1190	—	130
Nichii	1520	—	170
Tokio Marine	1060	—	100

LONDON (Pence)			
Rises			
NMC Group	71	+	5
Tate & Lyle	282	+	7
Falls			
Bell (AH)	75	—	55
Barclays	354	—	7
Cohen (A)	450	—	25
Computer P'ple	206	—	10
Cookson	65	—	4
Glaxo	749	—	31
Gold Greenlees	70	—	11
GRE	187	—	14
Guinness	715	—	14
Hammerson A	540	—	13
Legal&General	393	—	13
Manpower	48	—	5
NatWest Bank	254	—	8
Prudential	205	—	9
Sale Tilney	28	—	5
Tomkinsons	200	—	48
Wellcome	462	—	8

Lending freeze proposed ● Lead bank 'essential'

Bank of England drafts liquidity rules

By David Lascelles, Banking Editor, in London

THE procedures which the Bank of England will encourage banks to adopt when dealing with companies in a liquidity crisis are likely to be very detailed, according to documents circulating among bankers in London.

A three-page confidential draft states that the aim is to foster "the London approach", which is that a troubled company's creditors "jointly ensure that it has sufficient liquidity to continue trading until a considered view of its prospects can be reached".

The draft has already stirred controversy because the Bank seems to be trying to influence the credit decisions of commercial banks. But it has a direct relevance to the crisis at Polly Peck, where bankers gave the company one week's breathing space to raise fresh finance.

The main points of the draft are that when a company gets into difficulty:

● there should be a standstill on all types of lending, including loans and other commitments such as guarantees, and forward exchange contracts;

● funds needed immediately should be provided by some or all of the company's bankers, in proportion to their exposure;

● during this breathing space, information can be assembled for decisions about the company's future;

● a lead bank, usually the largest creditor, should be identified with the responsibility of keeping all the other creditors informed.

In a covering letter, Mr Pen Kent, the Bank's associate director for finance and industry, suggests that all forms of lending be drawn into standstills. This would include lenders in multi-option facilities (MOFs) who might not have any existing exposure to a company but who had committed themselves to lend.

Adverse condition clauses, which banks often include in credit agreements to break the commitment if a company gets into trouble, would have no force.

The draft says that there is widespread support in the banking community for the London approach because it ensures that no bank can steal a march on others. It also enables well-founded decisions to be reached on a company's long-term future.

In a closing section, the Bank urges the adpotion of "a responsible and supportive attitude towards companies experiencing financial difficulty to which they have been willing lenders in the first place".

The Bank's initiative is potentially controversial because it appears to contradict the distanced role which it has adopted in recent years, in line with the more competitive spirit of the age. Some foreign bankers have also taken offence because it seems to imply that they are unco-operative. They also object to the stress on a "lead bank" which they say means that foreign banks would have to kowtow to a UK clearer.

The Bank denies both charges. The draft, it says, is not its own but a synthesis of views culled during months of discussions with bankers. In his covering letter, Mr Kent asks banking associations to circulate the draft in their own name in order to play down the Bank's role. However, the Bank is keen to see the document adopted because it believes more companies can be saved that way.

It emphasises that the aim is not to introduce new procedures but to revive traditions which might have been forgotten during the recession-free years.

Robin Leigh-Pemberton, governor of the Bank of England, could face controversy over draft

Hongkong and Midland postpone planned alliance

By David Lascelles, Banking Editor, in London

MIDLAND BANK and the Hongkong and Shanghai Bank are preparing to postpone their planned alliance because of the problems facing both groups.

The two are expected to make a joint announcement next month saying that, while they are still interested in a merger, the conditions are not right.

Instead, they will extend their agreement which limits the Hongkong Bank's holding in Midland to 14.9 per cent. The agreement is due to expire on December 22.

Neither bank will comment on its position because of the political sensitivity of the deal and because of stock exchange regulations. However, analysts believe a postponement has been forced on the two banks by the steady worsening of the banking environment and the difficulties both face.

Apart from complicating their relationship, all this has made a deal virtually impossible to price.

The timing and exact content of next month's announcement will be determined by a series of meetings which had already been scheduled to take place this autumn ahead of the expiry of the agreement.

The two have set up several committees to examine aspects of their three-year-old relationship, but the final decisions will be taken by the two banks' chairmen, Sir Kit McMahon and Mr William Purves.

Both banks are in worse shape than when they linked up in 1987. This year Midland has been squeezed by heavy loan losses and a severe mismatch on its Treasury book, which cut interim profits to only £35m ($68.6m).

The Hongkong Bank has incurred losses on loans in Australia and the US, and these cut interim profits by 20 per cent, the bank's first profit fall in more than 20 years.

The sharp drop on world stock markets in recent weeks has also made it much more difficult to establish a value for Midland.

"The problem of pricing Midland is a key factor," said Mr Chris Wheeler, clearing banks analyst at Shearson Lehman Brothers who is among those expecting a postponement.

Another analyst said the sharp fluctuations in Midland's results over the past three years made it very hard for Hongkong Bank to assess its underlying performance. "There is a shortage of reliable figures," he said.

A further factor weighing on the banks' decision to postpone is the small likelihood in the present environment that another bank would try to take advantage of Midland's depressed share price to make a competing offer.

Royal Trust shakes up European operations

By Bernard Simon in Toronto

ROYAL TRUST, the Canadian financial services group, is taking the broom to some of its European operations after suffering sizeable losses in the British commercial lending and mortgage market, and on a portfolio of Japanese corporate bonds underwritten by a Swiss subsidiary.

Royal Trust has set aside C$32m ($28m) to cover loan losses in Britain, bringing total provisions for the year to date to C$48m, three times higher than 1989.

Mr Michael Cornelissen, RT's chief executive, said yesterday that the restructuring will focus the company's European operations on its traditional private banking and fiduciary businesses.

The British banking unit, Royal Trust Bank, is likely to concentrate on "fewer, larger and more specialised loans" once a review of its operations is completed later this year, Mr Cornelissen said. Senior executives from head office in Toronto have been installed as managing directors of the British and Swiss subsidiaries.

The British banking unit prospered in the 1980s, with profits more than quadrupling between 1983 and 1988.

Despite the recent problems, Mr Cornelissen said "we're not desperately concerned about it. They grew fast, they stumbled and we're helping them to pick themselves up again."

The Swiss-based capital markets business has been discontinued.

RT's problems in Switzerland stem from its acquisition in 1986 of Dow Financial Services, the banking and investment management arm of Dow Chemical. Despite a series of management changes, Mr Cornelissen said that "none were able to truly understand and execute the business plan we had in mind".

RT's sizeable private banking and trust operations on Jersey and the Isle of Man are unaffected. The company also has private banking interests in Germany and Austria.

The problems in Europe knocked RT's third-quarter earnings from C$64m, or 40 cents a share, to C$45m, or 18 cents a share. Earnings for the first nine months slipped from C$193m to C$186m.

Nine-month revenues grew from C$2.5bn to C$3.5bn. Assets on September 30 rose from C$31bn to C$42bn, largely due to the acquisition of several savings and loan institutions in the north-west US and California.

RT said it has also suffered from high interest rates and a worsening economy in Canada which have led to higher mortgage and consumer loan arrears. But its Seattle-based thrift holding company, Pacific First Financial, produced net income of C$34m, which RT said was ahead of plan.

Mediobanca is ally of Pirelli in battle for Continental

By Andrew Fisher in Hanover and Our Financial Staff in London

MEDIOBANCA, Italy's largest merchant bank, disclosed yesterday that it owns 5 per cent of Continental, the German tyre manufacturer which is fighting off a merger approach from Pirelli of Italy.

The shareholding, which cost Mediobanca L 144.8bn (£64.56m), is disclosed in Mediobanca's balance sheet for the year ended June 30. It confirms that the Milan merchant bank is among Pirelli's allies in its bid to take control of Continental.

Pirelli itself owns 5 per cent of Continental. When the Italian tyre company announced its proposal in September, it claimed that together with unidentified allies it controlled a majority of Continental shares. No other Pirelli allies have been identified.

Meanwhile Continental moved this week to reinforce its rejection of the Pirelli approach. Mr Horst Urban, chief executive of Continental, said his company would not enter into any alliance with Pirelli which left it as the weaker partner. The German company would even bid for Pirelli if it could.

"We are the stronger, the bigger, and have the better strategic starting position," he added.

Since Continental announced that it would not accept Pirelli's approach in its original form, no further initiative had come from the Italian side, Mr Urban said.

He described it as "purely a financial proposal" with no description of strategy or future plans.

If Pirelli shares were fully available on the market, Continental would "seriously consider" making a bid, he added. "We would dearly love to acquire Pirelli if it was 100 per cent quoted on the stock market, as we are."

Pirelli's proposal was for a combination of the two groups' tyre activities, with the Italian company having financial and management control. Continental has already said the terms of the suggested deal would lead to a sharp rise in the combined operation's debt and produce nothing like the synergies which Pirelli said could be achieved.

Mr Urban said there were arguments both for and against a merger of the two companies. An amalgamation would take some years to produce the desired cost, production and investment benefits.

"I believe there are perhaps more pros than contras," he said. There were a number of alternative arrangements to the proposal that could be considered. But as for Continental having a minority stake, "that will not do".

Mediobanca also disclosed yesterday that it had acquired 2.6 per cent of the voting shares of Société Internationale Pirelli, the Swiss holding company that controls Pirelli SpA of Italy, and a 2.02 per cent shareholding in Cie Financière de Paribas, the French financial group.

Lex, Page 20

Pratt & Whitney and MTU to swap 20% of their equity

By Paul Betts, Aerospace Correspondent, in London

PRATT & WHITNEY, the US aero-engine maker controlled by United Technologies (UTC), and Motoren-und Turbinen-Union (MTU), the aero-engine subsidiary of Germany's Daimler-Benz group, are to exchange up to 20 per cent of their equity. The deal will cement their alliance in the highly-competitive aircraft engine market.

UTC and Daimler-Benz signed an initial memorandum of understanding earlier this year to establish a wide-ranging partnership in the aero-engine field. They planned to challenge the rival 20-year-old alliance between General Electric of the US and Snecma, the French state-owned aero-engine maker. Since then, Rolls-Royce, the UK aircraft engine group, has also forged a partnership with BMW, the German luxury car group which started life as an aircraft engine maker.

Mr John Rolls, UTC's executive vice-president and chief financial officer, said yesterday that agreement on an equity swap between Pratt & Whitney and MTU was expected after the two had hammered out a formal collaboration accord.

The German partner has indicated it expects the collaboration agreement with Pratt & Whitney to be signed before the end of this year, clearing the way for negotiations on an equity swap.

Daimler-Benz decided earlier this year not to proceed with a co-operation agreement with GE in the US group's new GE90 heavy-thrust commercial engine programme. Instead, it switched sides and teamed up with Pratt & Whitney because it felt GE's long-term association with Snecma limited its scope for collaboration with the US company.

The German group was sued by GE for breach of contract, but the two parties have settled out of court.

Mr Rolls said yesterday that Pratt & Whitney and MTU would become "preferred partners". He explained the partnership would strengthen Pratt & Whitney's position in western Europe and help open new markets in eastern Europe and the Soviet Union.

"We are currently in the midst of active discussions with the Soviet ministry of aviation production to place our PW2000 engines on two new Soviet aircraft, the Tupolev-204 and Ilyushin-96," he said.

Pratt & Whitney and MTU also plan to study the development of a new commercial jet engine with 18,000lbs-20,000lbs of thrust to power new 80-100 seat regional jet aircraft.

Several regional jet aircraft programmes are being studied by aerospace groups including Deutsche Aerospace, the Daimler-Benz aerospace division. Deutsche Aerospace is expected to take a decision on the development of a new regional jet with other international partners before the end of this year.

CPC unveils 13% rise on improved overseas results

By **Alan Friedman** in New York

CPC International, one of the largest and most geographically diversified US foods groups, yesterday unveiled a 13 per cent rise in third-quarter net earnings, to $98.6m.

Earnings per share rose to $1.27 per share, or 12.4 per cent better than the $1.13 achieved in the third quarter of 1989.

The profits increase – in line with market expectations – was based substantially on sharply improved results from the group's European and Latin American consumer foods operations, according to Mr Richard Shoemate, CPC's chairman and chief executive.

Whereas worldwide sales rose by 13 per cent to $1.45bn in the third quarter, European operations achieved a 28 per cent gain in sales and Latin American revenues jumped by 45 per cent in the quarter.

CPC's third-quarter performance came despite a 32 per cent increase in financing costs, associated largely with acquisitions made during the year.

Operating income was 16 per cent higher at $201.3m.

Mr Shoemate stressed yesterday that the company's strategy since 1986 has been to focus on the consumer foods businesses for growth and to fuel that growth with cash flow from corn refining operations.

He said 1990 full-year figures would show "good earnings improvement" after three years of significant earnings growth.

Operating income from the corn refining business was, however, only 3.9 per cent higher.

The modest third-quarter progress was attributed by the company to difficult conditions in Argentina.

CPC, which recently acquired Marmite in the UK, had 1989 sales of $5.1bn, of which consumer sales amounted to $4bn worth.

Among well-known brand names in the CPC stable are Hellman's mayonnaise, Mazola corn oil, Skippy peanut butter and Knorr soups.

On Wall Street yesterday morning CPC's share price was marked one point lower, to $74, in a generally weak market.

United Airlines finds its future is still up in the air

Nikki Tait reports from New York on the directors' rejection of the latest employee-led bid proposals

"I guess everyone wants this settled." That weary statement, from one Wall Street investor, summing-up his attitude to the dwindling bid possibilities at United Airlines, would have passed as a model of English understatement.

The only ongoing question is whether Monday's rejection by directors of UAL, United's parent, of the latest bid proposals from the employee-led buy-out group, really ends the takeover game.

Wall Street is certainly leaning in this direction. Shares in UAL have fallen to around $89 – compared with a peak of just over $290 in September last year, and as much as $103 at the end of last week.

Moreover, the figure now is close to the sort of level analysts would expect the shares to be worth on fundamental grounds. Given the potentially volatile outlook for fuel costs, the fears of a US recession and the risks of overcapacity in the industry, forecasting any airline's earnings in the immediate future is hazardous.

However, the broad consensus is that UAL shares should trade at around $75-$95, all bid considerations aside. At around $90, runs the thinking, UAL is valued at a little under $2bn, or perhaps 2-2.5 times annual cash flow.

Such a multiple of cash flow is on the low side, compared with other relatively healthy carriers, such as Delta or American Airlines. UAL, moreover, has the advantage of a strong balance sheet.

Certainly, scepticism over future bid action is understandable; Wall Street has seen an incessant stream of initiatives over the past year which have come to nothing, while the sums suggested by potential bidders have steadily declined.

Back in August 1989, for example, Mr Martin Davis, the Los Angeles investor, was offering $240 a share for UAL. Within a month, that was bettered by the first employee offer, in conjunction with British Airways, of $300 a share.

When the financing for that transaction collapsed, it triggered the October 13 tumble on Wall Street as investors realised the era of Eighties-style leveraged bids had passed and caution was the watchword for the banks. Since then, the bid sums have got progressively smaller and financing has remained a problem.

In April, 1990, the UAL board agreed to sell the company for $201 a share to the employee-led buy-out group. Again, funding fell through and the bidders were then given until October 9 to get this back in place.

What they finally came up with was a deal said to be worth $205 a share, but containing only $70 in cash and with no bank loan financing at all. Quite how the relatively small cash portion would be raised was not entirely clear, although the bidders talked of $750m-worth of funding coming from equipment vendors.

There is certainly a body of UAL shareholders who have come into the stock for short-term bucks, and who would be willing to take any exit providing a significant amount of cash, even if it is well below expectations

On top of that, investors would have received a series of new securities, some of which would have been secured against aircraft and other assets owned by United. Their supposed combined worth was put at $105 a share.

The final tranche comprised a possible cash payment of up to $30 a share in five years time, depending on how United performed. Not surprisingly, the board had little difficulty saying no. However, there remains a definite sense that the story at United is not completely closed.

There is certainly a body of UAL shareholders who have come into the stock for short-term bucks, and who would be willing to take any exit providing a significant amount of cash, even if it is well below expectations.

Accordingly, their eyes are focused largely on Coniston Partners, UAL's largest single shareholder with 11.8 per cent of the equity.

Coniston has threatened in the past to oust directors if they turned down a "reasonable" offer. After Monday's decision, it was saying only that its various options were being considered, but it seems likely that it will spend a few days taking the temperature among shareholders and the unions.

That leads to the second question: how will industrial relations at United now pan out. The unions agreed voluntarily to a moratorium on wage negotiations while the buy-out discussions were under way.

However, they can be expected to attempt to claw back any lost advantage if such a scheme does not come to fruition. The Airline Pilots Association, in a recent letter to members, even hinted that strike action could be on the cards.

So, with those two rumbling issues, it seems that peace at United has yet to descend. "After such a long road, it's hard to believe there'll be many more turns," remarked one observer this week, "but with this one you just never know."

Fannie Mae earnings increased to $299.5m

By **Karen Zagor** in New York

THE FEDERAL National Mortgage Association (Fannie Mae), the biggest US provider of residential mortgage funds, yesterday reported a 40 per cent improvement in third-quarter net earnings to $299.5m or $1.15 a share from $211.9m or 80 cents a year earlier.

For the first nine months, Fannie Mae's net income rose 52 per cent to $865.7m or $3.31 a share from $570.1m or $2.17.

Fannie Mae is a public company chartered by Congress to provide funds to mortgage lenders. It buys mortgages from banks and savings institutions, packages them into securities and sells them to investors.

The company said its third-quarter growth was led by a $9.6m increase in mortgage-backed security guarantee fees, reflecting an $18bn rise in average MBS outstanding and growth of $8.6m in net interest income.

Mr David Maxwell, chairman and chief executive, said the company was encouraged by a 15 per cent decline in acquisitions of foreclosed properties in the quarter. In addition, Fannie Mae's inventory of foreclosed properties fell more than 30 per cent from last year.

But it lifted its provision for loan losses in the quarter to $80m from $75m. "We have increased our loan loss provision in response to the strong growth in business volumes, particularly mortgage-backed securities," Mr Maxwell said.

Although the third-quarter results were in line with analysts' expectations, shares in Fannie Mae lost $⅜ to $27¼ at midday yesterday on the New York Stock Exchange.

● Chase Manhattan's Chase Home Mortgage Corp subsidiary bought servicing rights to $550m in home mortgages of Sears Mortgage Corp, a unit of Sears, Roebuck & Co.

Chase Home Mortgage said the acquisition increased its total servicing portfolio to $25bn, more than double the $10.8bn at the beginning of 1989.

Worries over debt levels see TNT slip to five-year low

By **Kevin Brown** in Sydney

TNT, the Australian transport group, yesterday slipped to a five-year low on the Australian Stock Exchange (ASX) as investors continued to worry about debt levels and the impact of higher oil prices and airline deregulation.

The shares lost 13 cents to close at A$1.55, a fall of more than 30 per cent in three weeks, compared with a fall of 10 per cent in the All Ordinaries Index.

TNT was one of the main losers as the index fell 19 points to 1341.2. Other stocks facing heavy selling included News Corporation, Mr Rupert Murdoch's media group, and Elders IXL, Mr John Elliott's brewing conglomerate.

Brokers said all three suffered from concern about debt levels. "There was a bit of panic selling in the afternoon, and News Corporation, TNT and Elders IXL got swept away in the tide," one said.

TNT reported disappointing profits and increased debt recently, and is likely to face increased fuel costs as a result of the Gulf crisis.

Brokers said investors were also concerned about the effect of the deregulation of Australian domestic aviation next month on Ansett Australia, co-owned by TNT and News Corporation. Shares in News Corporation fell 58 cents to A$5.80, the lowest since February 1986, in spite of a cost cutting merger of major metropolitan newspapers earlier this week.

In addition to concerns about debt levels, News Corporation has been hit by controversy over plans to issue limited and non-voting shares, which cannot be listed in Australia under existing ASX rules. News Corporation has threatened to delist in Australia unless the exchange changes its rules.

Elders IXL fell 8 cents to A$1.10, the lowest since January 1986. The shares were affected by renewed speculation that Asahi Breweries of Japan was considering withdrawing from an agreement to buy a 20 per cent stake in Elders from Harlin. However, a statement from Asahi reconfirmed it intended to go ahead.

Brokers said there was concern about a delay by the UK government in deciding whether to allow a pubs for breweries swap between Elders and Grand Metropolitan. Mr Peter Lilley, the UK trade secretary, has been considering a report from the Monopolies and Mergers Commission since August.

CBS slides 30% to $43.5m on higher costs

By Karen Zagor in New York

CBS, the US media group, reported a 30 per cent drop in third-quarter earnings as higher programming costs hit the earnings of the company's television network.

Although analysts had expected earnings to fall in the latest quarter, the fall was more dramatic than expected and the shares lost $7½ to $158¼ in late trading, after falling more than $14 in the morning. Net income for the quarter was $43.5m or $1.69 a share, against $61.9m or $2.40 a year ago. Sales grew 12 per cent to $662.2m from $593.3m.

For the first nine months, CBS turned in net income of $266.8m or $10.36 a share, up 13 per cent from the $236.8m or $9.20 in 1989. Sales advanced 12 per cent to $2.34bn from $2.1bn.

Mr Laurence Tisch, chief executive, said earnings would probably continue to weaken in the short-term due to higher network programming costs and a softening economic climate for advertising.

"However, CBS has the cash reserves to steer through an economic downturn, while sustaining our long-term plan to improve ratings," he said.

Itoman may sell affiliate

By **Robert Thomson** in Tokyo

ITOMAN & Co, the Japanese trading house under official scrutiny for its property-related debts, indicated yesterday that a housing affiliate could be sold to the Sumitomo Bank to reduce its exposure to the property sector where prices are sagging.

Mr Yoshihiko Kawamura, Itoman's president, called a press conference yesterday to deny reports that he was planning to resign and to confirm the company plans to reduce its property-related borrowing by half from Y700bn ($5.3bn) by the end of March next year.

He said Itoman had purchased a condominium company, Sugiyama Shoji, now called Itoman Total Housing, two years ago at the request of Sumitomo Bank, and that the trading house was forced to absorb that troubled company's debts, reportedly Y250bn.

The Osaka-based Itoman bought 88 per cent of Sugiyama Shoji, and had planned to reduce debt by selling land holdings and then to expand the business from its speciality of one-room condominiums to that of a "total housing company".

Itoman, originally a textile trader, has become a symbol of the potential problems facing Japanese companies with significant property exposure at a time of softening property prices and rising interest rates.

The company has also been linked in the Japanese press to the fall of Mr Ichiro Isoda, the Sumitomo Bank chairman who has just resigned over a separate matter, alleged illegal lending by a branch manager.

Sumitomo and Itoman have a very close relationship, with Mr Kawamura formerly a managing director at the bank, which has provided a significant share of the funding for the trading house's ambitious expansion into apartment, golf course and resort development.

Mr Kawamura said yesterday that Mr Isoda's resignation had nothing to do with Itoman: "That was a Sumitomo problem, not an Itoman problem. There is no connection." Itoman said Itoman Total Housing's assets are basically apartment blocks within Japan, and that Itoman's foreign property projects, such as a luxury home development in San Diego and a proposed golf course in Peking, would not be affected by a sale to Sumitomo.

Warning to Trump investors

By **Nikki Tait**

FITCH Investors' Service, one of the three main US rating agencies, suggested that bondholders in Mr Donald Trump's Taj Mahal casino may need to negotiate for up to half the casino's equity in the current restructuring talks.

The talks have been triggered because a $47.3m interest payment is due on the 14 per cent mortgage bonds issued to fund the casino in November and there is unlikely to be sufficient cash flow from operations to fund this.

In a sliding casino market, all the Trump casinos have declined recently. The Taj grossed $32.8m last month, 11 per cent down on the August figure.

The Fitch conclusions are based on the premise that cash flow from the Taj will only be sufficient to fund half the current interest expense. If the coupon on bonds is effectively halved, bondholders should require about 50 per cent of the equity to make good their position, the agency argues.

In practice, matters are complicated because equity in the three casinos was pledged to seven banks two months ago, as security against a $65m "rescue" loan.

Fitch predicts that the banks might be willing to give up "significant equity" because a Taj failure would seriously affect other Trump entities where they have more exposure.

Trump's recently appointed finance director, Mr Steve Bollenbach, declined to comment on the details of the Fitch assessment, saying that Trump had agreed with the bondholders not to talk about negotiations publicly. There was daily contact with the bondholders, he said, and the company was "continuing to have good discussions".

Ito-Yokado's pre-tax profits up by 15.2%

By **Robert Thomson** in Tokyo

ITO-YOKADO, the Japanese supermarket operator, announced a 15.2 per cent increase in pre-tax profit to Y43.9bn ($336m) in its first half to the end of August, as domestic demand continued to provide strong sales growth in food and clothing items.

The company, which has a bid pending for Southland, the owner of the Seven-Eleven chain in the US, reported an 8 per cent increase in sales to Y663.9bn for the period, with increases of 10.7 per cent for foodstuffs and 8.2 per cent for clothing. Consolidated sales for the period rose 9.8 per cent to Y894.4bn, with pre-tax profit up 29.5 per cent to Y101bn.

The company has a 51 per cent stake in Denny's Japan, the restaurant operator, which yesterday reported a 13.1 per cent increase in pre-tax profit to Y4bn for the same period.

Goodyear's senior debt downgraded by Moody's

By **Stephen Fidler**, Euromarkets Correspondent

The senior debt of Goodyear Tire & Rubber was downgraded to speculative grade yesterday by Moody's Investors Service, the US rating agency.

It said the move was due to expectations that the company's debt levels would continue to be high and its ability to lower them would be constrained by competition in its core markets and continuing uncertainties surrounding the performance and valuation of its investment in the All American oil pipeline.

The agency lowered Goodyear's senior debt from Baa3, the lowest investment grade, to Ba1, its revenue bonds from Ba1 to Ba2, and its commercial paper from Prime-3 to Not Prime. About $900m of long-term debt is affected and the maximum amount of its commercial paper programme is $1bn.

Goodyear's competitive position would be affected by intensified competition in the tyre markets, escalating raw material costs and and weaker demand. The performance of the pipeline might further diminish operating results, it said.

Leverage has remained high since share repurchases in 1987 because of high capital investment, lower returns and debt associated with the pipeline.

Moody's added that its effective leverage was even higher than reported because of off-balance sheet obligations and the uncertain value of its pipeline investment.

Corona to sell Poco interest

CORONA, a large Canadian gold producer, has put its 49 per cent interest in Poco Petroleums, a Calgary oil and gas producer, on the block, writes Robert Gibbens. At present market prices Poco is worth more than C$400m (US$350.8m) on a fully diluted basis.

Corona owns 17 per cent of Poco directly and 32 per cent through Avalon Corp, a US subsidiary. Avalon will continue to own some US oil and gas assets. It also owns 32 per cent of Voyager Energy, Canadian oil and gas producer, which may also be sold later.

Corona says it is seeking over market price for its Poco block. It would use the proceeds to help finance development of the Eskay Creek gold property in British Columbia and another mining project in California.

Engen beats forecast with R323m pre-tax income

By **Philip Gawith** in Johannesburg

ENGEN, the newly formed energy arm of the Gencor group, weathered a downturn in the economy to produce results to end-August better than had been forecast when the company was formed in February.

Income before interest and tax was 15.4 per cent higher than forecast at R323m ($127.1m) but turnover at R5.08bn, was lower than the forecast figure of R5.28bn.

The company, the country's first integrated energy group, was formed when Gencor merged its marketing, production and exploration arms.

Earnings per share, at 192 cents, were 8 cents higher than forecast, allowing the final dividend to be lifted from 55 cents to 62 cents per share. The overall dividend was 97 cents per share.

The key transaction was purchasing the assets divested by Mobil, the US oil giant. Mobil, together with Trek Petroleum and Sonap, constitutes Engen's marketing arm.

Its production interests consist of Genref, formerly the Mobil refinery, and a stake in the Mossgas project. The company has exploration rights, through Soekor, in the Bredasdorp basin.

Mr Rob Angel, managing director, said the company had benefited from higher refinery output than anticipated as a result of production difficulties encountered at Sasol. He said margins were volatile, reflecting movements in the oil price, but that the overall outlook was bullish.

Mr Angel said the rationalisation of Trek's product distribution into the Mobil network had been successfully completed and the benefits of improved working costs were being realised.

Looking ahead, Mr Angel said the expansion of the group's facilities was progressing well, with construction at the lube oil blend plant and the lube oil refinery under way.

He said proposals for upgrading at the Durban refinery fuels should soon receive board approval.

BNP profits fall 29% at halfway to FFr993m

By George Graham in Paris

BANQUE NATIONALE de Paris (BNP), the leading French state-owned bank, has reported a 29 per cent decline in first-half net profits to FFr993m (US$194m).

The bank was hit by a six-week strike in its domestic branch network which cost it an estimated FFr400m, as well as by a further FFr605m charge at Banque Internationale pour l'Afrique Occidentale (BIAO), the stricken West African bank which BNP has been obliged to bail out and which has already cost it more than FFr2bn during the past three years.

Mr René Thomas, BNP's chairman, said the result was disappointing, but followed an exceptionally good first half in 1989 and a number of non-recurrent difficulties.

"Our problem now is to wipe out the consequences of the strike and to settle once and for all the problem of the BIAO," he said.

BNP operating profits declined by 16 per cent in comparison with the first half of 1989 to FFr4.95bn. Mr Thomas said this reflected the expansion of the group to include a number of new subsidiaries – Banque de Bretagne and its offshoot Banque de la Cité in France, Central Bank in California and BIAO – which involved substantial restructuring expenses in the first half.

New provisions for bad debts were 8 per cent lower than in the first half of 1989 at FFr3.2bn, but this was because BNP has now provisioned 60 per cent of its total portfolio of sovereign loans at risk. Beyond this level, further provisions would no longer be tax deductible, but the bank has provisioned 100 per cent of unpaid interest from debtor countries.

Provisions have been increased, on the other hand, for specific client risks both to companies and to individual borrowers.

Most other French banks have also experienced much higher rates of default in the first half, and increased bad debt provisions have hurt the interim profits of banks like Société Générale (down 17 per cent to FFr1.42bn) and Paribas (up 30 per cent to FFr2.49bn, but thanks to a one-off gain).

Only Crédit Lyonnais appears to have shrugged off this impact, with net profits up 33 per cent to FFr1.82bn.

BNP's 10 per cent cross-shareholding with Union des Assurances de Paris (UAP), the state-controlled insurer, had no impact on the bank's first-half results. If, as it hopes, BNP succeeds in setting up a joint holding company with the state to control 20 per cent of UAP, it would be able to consolidate the stake.

BCCI's founder president and chief executive quit

THE TROUBLED Abu Dhabi-based Bank of Credit and Commerce International confirmed yesterday the widely expected resignations of its two most senior officers, writes Richard Donkin.

News of the resignation of Mr Agha Hasan Abedi, founder and president of the bank, and his right hand man, Mr Swaleh Naqvi, chief executive officer, was released quietly in a staff circular. Mr Abedi, who underwent heart surgery in 1988, had not been active in the bank for some time.

Mr Naqvi was effectively sidelined earlier this year when control of the bank passed to Sheik Zayed bin Sultan Al-Nahyan, the ruler of Abu Dhabi. A radical restructuring was announced after losses of $489m in 1989.

Mr Zafar Iqbal, chief executive of BCC (Emirates), assumed control of the bank's restructuring which included large-scale redundancies and moving the head office from London to Abu Dhabi. He has now been named acting chief executive officer.

Norwegian banks' credit losses rise to NKr4bn

By Karen Fossli in Oslo

CREDIT LOSSES in the parent companies of Norway's commercial banks during the first eight months of the year totalled NKr4bn (US$677m), compared with only NKr1.7bn in the first four months this year.

The losses were revealed by Kredittilsynet, Norway's watchdog over credit institutions, which forecast that for the year as a whole credit losses by the parent banks will reach NKr5.1bn compared with NKr6bn in 1989.

Consolidated group figures are not available, a Commission official said, but credit losses on a consolidated basis for the year are likely to be higher.

As for the 20 biggest savings banks, which represent about 90 per cent of their sector, credit losses in the first eight months of this year totalled NKr2bn, a near doubling since the first four-month accounting period, when they were NKr1.1bn.

So far this year the commercial banks have increased loans by 10.8 per cent over the same period last year, while the savings banks recorded a 3.4 per cent increase.

Deposits in the commercial banks in the first eight months of the year have increased by 8 per cent, while for the savings banks they have increased by 6.7 per cent over the same period last year.

The commercial banks increased assets by 10.5 per cent in the eight months compared to last year, while the savings banks experienced asset growth of 2 per cent.

According to Norwegian rules for equity ratio which must be maintained at 6.5 per cent, on average the commercial banks increased their equity ratio to 8.6 per cent in the eight-month period from 7.9 per cent last year.

However, the rules will change in 1991 to the Bank for International Settlements' rules, which require two-tier risk weighted equity ratios of 8 per cent, a requirement Norway's banks are desperately struggling to meet.

Carbide in signal to chemistry set

Clive Cookson examines the US company's clear shift in strategy

When a large US chemicals company buys a business from a competitor for $100m, the industry often looks at the deal as a routine restructuring exercise.

However, Wednesday's announcement that Union Carbide is to acquire the Triton business from Rohm and Haas is more significant than that. It is Carbide's first substantial acquisition since the mid-1980s, when the company went deeply into debt to pay a large special dividend and escape an opportunistic takeover bid by GAF in the wake of the Bhopal tragedy.

"We came through a trial by fire in the mid-1980s," Mr Robert Kennedy, Carbide's chief executive, said this week. "In retrospect I don't think any of us realised at the time how badly shaken up we were."

Although the Supreme Court of India has not yet ruled on an appeal against last year's $470m Bhopal settlement, the company regards the issue as closed.

The Rohm and Haas deal was announced while Mr Kennedy was speaking to investment analysts in London – a timely illustration of his message that Carbide is entering the 1990s in a confident mood.

The acquisition of the Triton surfactant business, which makes ingredients for detergents and other specialised chemicals, follows an announcement last month that the company planned to sell $600m worth of assets and buy back 14 per cent of its outstanding common stock. "That was the first salvo in a declaration of war on our stock price, which is ludicrously low," Mr Kennedy said.

Carbide would be looking to buy more specialist businesses which fitted well with its own operations, he added. "All the other ones we've bid for have been lost to overseas competition."

At the same time Carbide is looking for joint venture partnerships or alliances with large European chemical companies. "If we have a weakness, we see ours as being primarily a North American company," Mr Kennedy said.

Carbide cannot afford to build or buy the manufacturing facilities it wants outside the US. Therefore it is looking for a company with a "mirror image" position to itself – strong in Europe and weak in North America – with which it can form an alliance.

Robert Kennedy: 'we came through a trial by fire'

According to Chemical Week International, Enimont, the troubled Italian chemical giant, has been a prime candidate to do a deal or licensing arrangement with Carbide.

At the beginning of the week Mr Kennedy was talking about the current downturn in the chemicals business to senior executives of competing companies, at the international meeting of the Society of Chemical Industry in Monte Carlo. "They were a little glum," he said. "But after what we've been through, a business cycle is small potatoes."

Carbide is taking an optimistic view of the chemicals downturn and higher petrochemical costs as a result of the Gulf crisis.

In the first place, Mr Kennedy says, the downturn is "mild" compared to the recession of the early 1980s. He believes Carbide's low-cost production technology puts it in a stronger competitive position than other bulk chemicals companies. Like other US companies it benefits from a declining dollar. And its petrochemical production is based mainly on gas, which has risen in price less than the oil-based feedstocks used by the large European producers.

However Carbide's new strategy has not convinced all analysts. "I don't think they have got over the trauma and they do not really have a strategic plan," said Mr Anantha Raman who runs a chemicals consultancy in New Jersey.

Rhône-Poulenc sheds 3,500 jobs at Brazil unit

RHONE-POULENC, the French chemical and pharmaceutical group, is shedding 3,500 jobs at its Brazilian unit in response to austerity measures that have dented business activity in Brazil, AP-DJ reports.

The company is seeking voluntary redundancies at São Paolo-based Rhodia, which is active in chemicals, fibres and medical products. "People that leave simply won't be replaced," it explained.

About 2,000 people already have left the unit since Mr Fernando Collor de Mello, Brazilian president, instituted his anti-inflation austerity programme last year, while another 1,500 are expected to leave in the next two years, it said.

First-half profits at Rhône-Poulenc were off 13 per cent from a year ago, partly due to a FFr300m loss at Rhodia.

It was the first loss for the Brazilian division.

Spain appoints Salas as new president of INI

By Peter Bruce in Madrid

THE SPANISH government yesterday named Mr Francisco Javier Salas Collantes president of the big state industrial holding corporation, the Instituto Nacional de Industria (INI), the fifth man to hold the job since the Socialist Party came to power in 1982.

The outgoing president, Mr Jordi Mercader, resigned for largely personal reasons – his wife and family live in Barcelona – but he has also been sorely tested recently by INI's chaotic efforts to privatise Enasa, the truck producer.

Mr Mercader, president for 26 months, won a political battle last year to sell Enasa to Daimler Benz and MAN of West Germany but they later pulled out of the deal and, to his dismay, the company fell to Fiat a few weeks ago.

Mr Salas is a long serving INI administrator, with little direct experience in the management of the group's companies. He joined in 1973, became finance director in 1983 and, until yesterday, was in effect group managing director.

Although his two immediate predecessors were closely linked to senior Socialist political figures, close friends of Mr Salas say he has few political inclinations.

That may leave him uncomfortably exposed should the group come under political attack next year as its return to profit in 1989 begins to fade. After more than a decade of losses, INI broke even in 1988 and made Pta82bn ($852m) after tax last year.

An economic slowdown and rising oil prices are likely to reduce profits sharply this year and hamper efforts to sell other assets such as Iberia, the national airline.

Perstorp down 8% to SKr635m as sales improve

PERSTORP, the Swedish speciality chemicals and plastics group, yesterday reported that pre-tax earnings for the fiscal year ended August 31 had declined by 8 per cent to SKr635m (US$113m), while sales increased by 5 per cent to SKr6.68bn, writes John Burton.

The company proposed a 20 per cent increase in dividends to SKr4.50 per share.

Perstorp announced that Mr Karl-Erik Sahlberg, its president for the past 15 years, will hand over management of the company to Mr Gosta Wiking, executive vice president. Mr Sahlberg will become chairman, succeeding Mr Alf Akerman.

It blamed the profits fall on weak economic growth in the Nordic region and the UK and increased competition in the western European market. Economic problems in Brazil also contributed to the decline.

Aker climbs to NKr397m with outlook warning

By Karen Fossli in Oslo

AKER, one of Norway's biggest industrial groups, yesterday announced a slight increase in eight-month profits before extraordinary items to NKr397m (US$67m) from NKr391m last year, and forecast that for the whole year profits are expected to exceed NKr600m.

Eight-month sales slipped to NKr8.39bn from NKr9.7bn, while net extraordinary items were NKr843m.

Group operating profits fell to NKr429m from NKr686m last year, due mainly to a large loss incurred by Aker Entreprenoer, and the exclusion of profits from Aker Drilling, spun off earlier this year. Profits in the cement and building materials division, which rose by NKr10m to NKr270m, were hit by difficult market conditions, although the performance of the building materials companies improved. Division sales slipped to NKr4.13bn from NKr4.24bn, however.

Aker warned that the Norwegian construction and civil engineering market is expected to remain difficult until the first part of 1991, while the international cement market is showing signs of flattening out. On a high note, activity in the offshore oil and gas sector is expected to remain solid.

The company also warned that the termination of its involvement with Joetul, a company which builds cast iron fireplaces, is expected to result in an extraordinary loss of NKr90m, which is to be booked during the last four months of the year. Joetul's loss for 1990 will result in a NKr20m charge to Aker's profits, before extraordinary items.

Aker recently sold its shareholding in Spain's Cia Valenciana de Cementos Portland to Castle Holding, owned jointly by Aker and Sweden's Euroc, resulting in a boost to profits of close to NKr400m.

● Lafarge Coppée, the French cement and construction materials group, has taken a 30 per cent stake in United Malaysia Gypsum Products, a Malaysian and Thai owned company which is nearing completion of a plasterboard factory, writes George Graham.

INTERNATIONAL CAPITAL MARKETS

Gilts move lower ahead of release of RPI figures

By Simon London in London and Karen Zagor in New York

UK GOVERNMENT bond prices moved lower again yesterday, although trading was calm after several days of volatility. The benchmark 11¾ per cent 2003/08 gilt closed at 102 for a yield of 11.43 per cent, down $\frac{3}{16}$ of a point on the day.

On the futures market, the December gilt contract closed at 84.12 after opening at 84.29 and moving in a narrow range.

Narrow UK money supply figures showed year-on-year growth of notes and coins in circulation running at 4.2 per cent last week, against 4.4 per cent the week before. The figure confirms the sharp downward trend in M0 growth over the past month, now firmly within the government's 0-to-5 per cent target range.

Today the market will be focused on retail price index figures for September. Analysts expectations are for a year-on-year inflation rate of 10.7 per cent to 11 per cent, against 10.6 per cent in August.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	102-29	+01/32	11.77	12.48	12.45
		9.000	03/00	86-14	-06/32	11.38	11.71	11.73
		9.000	10/08	84-26	-08/32	10.94	11.07	11.10
US TREASURY *		8.750	08/00	99-06	-09/32	8.87	8.71	8.82
		8.750	08/20	97-07	-13/32	9.02	8.85	8.96
JAPAN	No 119	4.800	6/99	82.7409	-0.123	8.20	8.19	8.36
	No 130	6.400	03/00	92.0863	-0.149	7.86	7.85	8.03
GERMANY		8.500	08/00	96.1300	-0.040	9.11	9.05	8.95
FRANCE	BTAN	9.000	11/95	94.9491	+0.040	10.31	10.37	10.21
	OAT	8.600	03/00	88.3100	+0.080	10.49	10.56	10.28
CANADA *		10.500	07/00	95.1000	+0.450	11.34	11.20	10.79
NETHERLANDS		9.000	10/00	98.5000	-0.180	9.24	9.24	9.11
AUSTRALIA		13.000	07/00	97.0872	-	13.54	13.45	13.43

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ US TREASURIES moved modestly higher yesterday morning after two days of losses, but analysts said the improvement was technical, with the market recovering from an oversold position and the fundamental picture remaining negative for bonds.

At mid-session, the Treasury's benchmark 30-year bond was up $\frac{1}{32}$ at 97$\frac{7}{32}$, yielding 9.02 per cent, while the two-year bond was $\frac{1}{32}$ higher for a yield of 7.95 per cent.

Trading was quiet yesterday morning as the market waited for the afternoon's Treasury auction of $5bn in Resolutions Funding Corp bonds which follows a disastrous seven-year note auction on Wednesday.

The market received some support from softer Fed funds, which were trading at 7$\frac{15}{16}$ per cent at mid-day, below the perceived target of 8 per cent. The Federal Reserve did not operate in the open market, but there was no policy significance to the lack of intervention.

The bond market seemed oblivious to higher oil prices yesterday morning, with November crude oil adding $1.59 to $40.28 a barrel.

■ SIGNS that the yen had reached the end of its bull run against the dollar left Japanese government bonds sharply lower. Comments by Bank of Japan governor Yasushi Mieno that the dollar had fallen too far, too fast sparked the sell-off. Renewed tensions in the Gulf contributed to the uncertainty.

The benchmark No 119 issue was yielding 8.22 per cent at the close of Tokyo trading, against 8.035 on Tuesday. The markets were closed on Wednesday for a national holiday.

The mood was matched on the futures market, where the key December futures contract ended at 89.50 from 90.08 on Tuesday.

The dollar stabilised at a low of Y129.45 during Tokyo trading hours, but advanced back above the watershed Y130 level yesterday. It remains to be seen whether the gains against the yen are technical or based on fundamentals.

■ A LACK of new direction in the German government bond market led to thin trading, with yields little changed from Wednesday. The benchmark 8½ per cent 10-year bund closed at 96.18 for a yield of 9.01 per cent, having traded within a narrow range for the whole day.

Guaranteed futures fund launched

THE UK futures brokerage house, ED & F Man, has announced the launch of a guaranteed futures fund which it will sell to overseas retail clients from Monday, writes Deborah Hargreaves.

The Athena fund follows Man's previous futures fund which has attracted an investment of $10m since it started trading in July. Mr Michael Quenington at ED & F Man is confident that the new fund will attract $30-$40m of investment although it is open for up to $50m.

The new fund will carry a guarantee from Man of a return of capital when it reaches maturity at the end of 1997. Man will provide the guarantee by putting 60 per cent of the fund's cash into zero coupon bonds and taking credit risk itself on the remainder of the money for trading.

Adam, Harding & Lueck will provide the trading expertise for the futures fund through a mathematical system of trading across the markets. Athena is one of the first funds launched by Man since it took a 51 per cent stake in the trading advisor last year.

There is a growing interest in futures funds in the UK after the Department of Trade and Industry proposed rules for setting them up earlier this year. The rules are not likely to become law before April next year given the flood of comment that has been received from the industry over their structure.

Futures funds cannot currently be marketed to retail customers in the UK, but can be targeted at overseas investors.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on October 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅝	100⅛	+⅛	9.01	COUNCIL EUROPE 7 94 LFr	600	91⅛	92⅛		10.13
ALBERTA PROVINCE 9 3/8 95	600	100½	100⅞	−⅛	9.24	KREDIETCORP 7 93 LFr	1000	92⅞	93⅞		10.00
AUSTRIA 8 1/2 00	400	92⅞	93⅜	−⅛	9.68	WORLD BANK 8 96 LFr	1000	92⅝	93⅛		9.83
BANK OF TOKYO 8 3/8 96	100	94⅝	95⅛		9.66	AMRO BANK 6 1/4 92 Fl	150	94⅝	95⅜		9.54
BELGIUM 9 1/8 92	400	100⅞	101⅛	+⅛	8.60	RABOBANK 5 3/4 93 Fl	150	92	92⅛		9.63
BFCE 7 3/4 97	150	92⅛	92⅝		9.43	ALBERTA PROVINCE 10 92 C$	500	97⅛	97⅞	+⅛	11.84
BNP 8 5/8 94	300	98⅛	98⅝	−⅛	9.13	BCE INC 9 5/8 93 C$	300	94¼	94⅞	+⅛	12.32
BP CAPITAL 9 5/8 93	150	101⅛	102⅛	+⅛	9.01	BELL CANADA 10 5/8 99 C$	150	90⅝	91⅛		12.42
[illegible]											
NORWAY 5 1/8 95	50000	89½	89⅞	+⅛	7.99						
SWEDEN 5 5/8 95	20000	90¼	90⅜	−⅛	8.09						
WORLD BANK 6 3/4 00	50000	93⅜	93⅝		7.76						

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

Moody's downgrades running at record rate

By Deborah Hargreaves

THE CREDIT quality of US companies has declined at a faster pace so far this year than during any period since the Second World War, according to Moody's Investor Services. This points to a continuing rise in corporate bond defaults in coming months, the rating agency reports.

Moody's said it reduced its grading on 308 US bond issuers in the period from January to September, which is almost equal to the record number of 339 downgrades for all of last year.

In the same period this year, Moody's boosted the ratings on 79 companies. This falls far short of the 138 upgrades last year. The ratio of downgrades to upgrades has now risen to its highest level since the war, beating the previous record which was set during the 1982 recession.

Most of the decline in credit ratings has been suffered by companies that took on huge volumes of debt during the periods of highly-leveraged takeovers during the 1980s. As the economy has slowed down, these companies have met difficulty in meeting debt servicing commitments as earnings have dropped, assets have become harder to dispose of, and access to the credit markets has become tougher.

Over half the companies which saw their credit ratings reduced this year are in the industrial sector, with some concentration among those firms exposed to falling consumer spending, including the retail, construction and entertainment areas.

The rating agency points out that, so far, rising oil prices cannot be blamed for companies' ratings declines, but that could soon change if oil prices have a sustained rise.

The decline in corporate credit ratings has pushed the amount of speculative grade bonds – bonds in the B and Caa categories – to a current total of $132bn, from around $84bn at the end of 1987. Moody's expects that defaults will continue at exceptionally high levels this year and over the next few years.

Moody's has counted 46 defaults by rated corporate bond issuers so far this year. This affects some $11bn of debt, compared with 52 defaults on $9.4bn of debt for the whole of last year.

Opportunities in investment grade issue, says BZW

By Deborah Hargreaves

INVESTORS in the UK corporate bond market are letting their concerns for equities spill over into their perception of the debt market. However, the subsequent widening of spreads on bonds could give them a good opportunity for buying investment grade paper, according to a review of the sterling bond market by Barclays de Zoete Wedd.

Some corporate bonds will offer little increased credit risk regardless of the downturn in profits growth or in the economy, the bank says. In its analysis of the credit risk on current bond issues, Barclays has ranked the bonds in order of their attraction to investors.

Wellcome, the drugs company, comes at the top of Barclays list of investment grade paper, judged on its gross redemption yield minus its current equity dividend yield, equity market capitalisation, profit forecast and gearing ratios. Tesco, the food retailing firm, and Hanson, the diversified industrial company, rank second and third on Barclays' list.

However, the bank believes that Pearson, the diversified company which also owns the Financial Times, and Lucas Industries, offer the best value given the ranking of the bonds and their yields.

Yield margins on UK corporate debt over gilts are currently over 200 basis points.

Barclays says that although bond defaults in the US have risen to their highest level for 20 years, most defaults have been in speculative grade issues. The default rate for investment grade paper is, in fact, very low, according to the bank.

HKFE cuts levy on index deals

THE Hong Kong Futures Exchange is to cut the levy on Hang Seng index futures to HK$5 from HK$30, Reuter reports from Hong Kong.

Mr Eoghan McMillan, chairman, said the reduction would be effective from the start of trading on Monday, October 15.

The move aims to revitalise the Hong Kong futures market. The levy was imposed after the 1987 crash to reduce volatility. Until then, the HKFE was the world's second most heavily traded index futures market.

هكذا صن الأصل

INTERNATIONAL CAPITAL MARKETS

Crédit Lyonnais launches Ecu150m three-year deal

By Tracy Corrigan

A SURGE of new issues yesterday created an illusion of activity. In fact, nearly all the deals were effectively private placements – mainly structured financings arranged by one or two underwriters which will not be traded actively.

INTERNATIONAL BONDS

A few public offerings also emerged. Crédit Lyonnais, the French bank, brought an Ecu150m three-year deal, arranged by its investment banking arm. There is little Ecu paper available at the short end of the market and the yield of a recent Ecu100m three-year tranche for Crédit Local had tightened to 10.37 per cent.

Crédit Lyonnais' 10½ per cent bonds yield 10.51 per cent. However, dealers said the one reason for the success of the Crédit Local deal was that the bonds had featured on the Swiss banks' buy lists – which often determine which issues fund managers buy. Further, the Crédit Local name is popular among Swiss investors.

Crédit Lyonnais swapped the proceeds of the issue into floating-rate dollars, at a level believed to be better than ⅛ point below the London interbank offered rate.

The lead manager reported interest from Benelux and France, as well as some nibbling by UK funds. The deal was bid on full fees of 1⅜ point. Meanwhile, the yield of Citicorp's five-year credit card-backed offering – Euro Credit Card Trust 1990-2 – launched earlier this week continued to rise relative to the US Treasuries market. The yield spread reached 109 basis points yesterday, having been priced at 99 basis points over the curve on Tuesday. However, dealers said that investors are at last starting to find the bonds cheap at this level.

In Switzerland, the World Bank brought a SFr100m offering of 7½ per cent five-year bonds, via Swiss Volksbank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
All Nippon Airways(a)◆	100	9¾	102	2000	2/1¼	Daiwa Europe
Fujitec Co.(a)#	100	(5⅛)	100	1994	2¼/1½	Nomura Int.
ECUs						
Credit Lyonnais(a)◆	150	10½	101.35	1993	1⅜/⅞	Credit Lyonnais
D-MARKS						
Sodick Co.(a)#	100	5¼	100	1994	2¼/1½	Nomura Bk GmbH
SWISS FRANCS						
World Bank(a)★★◆	100	7½	101⅞	1995	-	Swiss Volksbank
YEN						
Toyota Motor Cr.Corp(a)◆	20bn	8½	101⅛	1993	1¼/¾	Daiwa Europe
Tokyu Land Corp(d)◆	20bn	8½	101⅜	1995	1⅝/1⅛	Nomura Int.
Bk of Montreal(e)◆	7bn	(e)	101	1992	1/⅝	Bankers Tst.Int.
Deutsche Bk Fin.NV(b)◆	5bn	(b)	101⅝	1994	1⅝/1½	Daiwa Europe
Sony Euro-Fin.BV(c)◆	3bn	(c)	101⅝	1994	1⅝	CSFB
CIBC(a)◆	2bn	15¼	101⅛	1991	1⅛/⅝	New Japan Secs.
CIBC(a)◆	1bn	15	101⅛	1991	1⅛/⅝	New Japan Secs.

★★Private placement. §Convertible. †Floating rate note. #With equity warrants. ◆Final terms. a) Non-callable. b) Step-down issue. Coupon pays 10% for first year, then 8.4% for year 2, then 8% thereafter. Non-callable. c) Coupon pays Libor plus 25bp for first 3 months, then fixed at 10½% thereafter. Callable on 19 October 1993. d) Coupon payable semi-annually. Non-callable. e) Coupon pays 3-month Libor plus ⅛% for first 3 months, then fixed at 11% thereafter. Redemption is linked to Nagoya option-25 index.

MAI to merge Eurobond brokers

By Tracy Corrigan

GINTEL AND Guy Butler, the two Eurobond brokerages owned by MAI, the financial services group, are to merge into one unit.

As a result of the merger, four jobs have been lost at Gintel and eight at Guy Butler, according to sources at Guy Butler. The departures are understood to include Mr Albert Joiner, who was managing director of Guy Butler.

Mr Brian Modlock is expected to be appointed to run the new company. The decision reflects the continued erosion of profitability in the Eurobond broking business, market participants said.

Secondary market volume has been shrinking steadily for several years, and primary market business has diminished as the market becomes more transparent.

Eurobond brokers arrange trades between dealers, but do not take positions in the market.

Guy Butler dominated the primary market, while Gintel had a strong position in secondary dollar bond broking.

MAI, the parent company, declined to comment on the merger.

Dealers say the merger leaves just two other mainstream players: Cantor Fitzgerald and Mabon Nugent.

Notable casualties over the last few years include Fundamental Brokers and Purcell Graham.

Mexican swap deal wipes $1.8bn off debt

By Richard Johns in Mexico City

THE MEXICAN government has wiped another US$1.8bn of its foreign debt off the ledger in its second debt-equity swap auction. It accepted 29 proposals at a discount of 52.0 per cent, it was announced.

Following the $1bn disposed of in an earlier auction, the full $3.5bn limit set in the agreement concluded at the end of March with the commercial bank creditors on a reduction and rescheduling of the Mexico's medium and long-term liabilities has now been accounted for.

The total nominal debt cancelled was $2.5bn because 85.8 per cent of the bonds accepted were the bonds issued at a 35 per cent discount under this year's bank debt reduction agreement in exchange for bank loans. The Finance Ministry said there were 72 bids covering a total debt on the secondary market of $3.6bn at an average discount of 51.94 per cent. Of these, 29 were accepted.

The discount was 52 per cent against one of 52.05 achieved at the last auction, the results of which were announced on July 18. Originally, a minimum of 35 per cent was set.

No information was immediately available about the infrastructure projects involved in the debt-equity swap auction.

Bankers said the government would almost undoubtedly increase the $3.5bn ceiling on conversions set for the 1990-2 period – a lower limit than commercial bank creditors wanted.

Euroclear to test Euclid 90 network

EUROCLEAR, the Brussels-based Eurobond clearing house, is starting in-house testing of a new communications network, Euclid 90. It will substantially reduce settlement costs for participants, writes Tracy Corrigan.

Testing with Euroclear participants will begin in the second quarter of 1991, and the system is expected to be fully operational in the third quarter of 1991.

ASX proposes corporate shake-up

By Kevin Brown in Sydney

THE AUSTRALIAN Stock Exchange (ASX) yesterday released proposals for more stringent reporting requirements for Australian companies, and called for changes in the law to allow it to take a bigger role in fighting corporate fraud.

In a separate statement, the federal government confirmed that it plans to proceed with legislation to increase penalties for insider trading and make convictions easier to secure.

The announcements are part of a flurry of proposals emerging from the government and other organisations to tighten corporate regulation in the wake of damaging revelations about the activities of Australia's failed entrepreneurs.

The ASX called for comments on 19 recommendations to improve corporate reporting, focusing on ways of increasing the information available to investors in interim statements.

The changes proposed by the exchange include a requirement for condensed balance sheets and limited audits at the interim stage, together with cash flow statements in both interim and preliminary final reports.

The exchange also suggested that companies should be required to report quarterly. Quarterly reports have been required by the US Securities and Exchange Commission since the early 1970s.

The ASX said in a second discussion paper that it was unable to fulfil the role of "corporate policeman" widely expected of it because its public statements were protected with qualified privilege.

"If the ASX is to do its job efficiently and co-operate with other regulatory authorities, there will be occasions on which it will need to make statements, including statements to the market about certain matters affecting a listed company which might be held to be defamatory," the exchange said.

The discussion paper also pointed out that the exchange usually steers clear of initiating court actions because an unsuccessful case could leave it open to claims for damages.

In Canberra, Mr Michael Duffy, the federal Attorney General, said the government had accepted most of the recommendations of a House of Representatives committee which reported last year that Australia's insider trading laws were "totally inadequate".

Mr Duffy said reform of the law on insider trading would be a top priority for the Australian Securities Commission, the strengthened corporate watchdog which takes over from the existing National Companies and Securities Commission in January.

The new law will increase penalties fivefold to A$100,000 for individuals and A$500,000 for companies; allow the Government to freeze suspect profits; and allow individuals to bring civil actions for compensation.

Earlier this week, the government announced plans to improve co-operation between Australian and overseas regulators, and to tighten the law on directors' responsibilities and financial transactions between companies.

A share of the corporate action

Robert Taylor on hostility to expansion by Swedish state pension funds

Corporate Sweden is preparing for battle against what it sees as a growing internal threat to the future of the market economy from Sweden's huge state sector pension funds.

The government, in alliance with the LO, the powerful blue-collar union confederation, wants to strengthen the role of the state pension funds in the private sector by allowing them to invest directly in the stock market.

Swedish industry remains firmly committed to the private sector, and many company executives argue that what is now being proposed will prove an unacceptable extension of public power into company ownership structures.

The leaders of the main opposition parties have expressed outrage at the government's proposals, and Sweden's employers are threatening a counter-offensive.

The public pension funds have enjoyed a controversial life since the first three were established in 1960 as a means of providing a top-up to basic state pensions.

The original funds are still administered by government appointees from both sides of industry. Their main sources of income derive from a charge on employer payrolls and investments in interest-bearing securities on the Swedish bond market, where they are the largest individual investor.

This year the funds were also allowed to enter the international bond market, but with an upper limit on foreign purchases of 10 per cent of their assets. For the past two years, the funds have been permitted to invest in property, helped by the creation in 1989 of Anders Nisses, a publicly-listed property company with a SKr4bn portfolio.

It is estimated that around 20 per cent of the pensions disbursed through the original three pension funds are now financed out of interest income. At the end of last year, the three funds enjoyed a total surplus of SKr340bn, which compares with a total valuation of around SKr800bn for the Stockholm bourse.

At the outset in 1960, the funds were not allowed to purchase shares on the stock market.

Attitudes, however, have changed. In 1974, a fourth public pension fund was established. It enjoys wider investment rights, including the purchase of equities and other securities on the Swedish stock market. This was followed by a fifth public pension fund in 1988 with similar investment rules, and then the five wage-earner investment funds created in 1984.

With a combined value at the end of last year of just under SKr48bn, the later funds are much smaller in size than the first three pension funds. Hemmed in by legal restrictions, they own around 8 per cent of the capital and voting shares in Sweden's top 50 stock market listed companies.

However, by virtue of their sheer size, the original three funds could become even more influential on the bourse if they won the same sort of freedom to acquire shares.

The ruling Social Democrats and their union allies deny their motivation is ideological. They say they wish to improve the value of pensions without having to increase existing employee contributions to prohibitive levels.

The government is also worried about the low level of savings in Sweden and it wants to encourage more people to save. Ministers believe there is not enough risk capital available on the stock market to help in the restructuring of Swedish industry.

Mr Eric Asbrink, the minister at the Ministry of Finance dealing with the issue, refuses to accept the pension funds would really invest all their assets in shares and thereby swamp the bourse.

Such assurances fail to appease opponents. They believe the government's plans would lead to a major advance by the state into the running of Swedish industry.

MR Allan Larsson, the Swedish finance minister, said yesterday the government plans to ease investment restrictions on state pension funds, which will increase their role in the Stockholm bourse, John Burton reports from Stockholm.

***In his autumn economic* policy statement, the finance minister said that legislation will be introduced on state pension funds later this year, but he did not provide details on the new rules.**

Mr Larsson's announcement brought a sharp rebuke from the Federation of Swedish Industries, which said the pension funds must *first be privatised before* their investment role increases.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Thursday October 11 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Oct 10: Index No.	Tue Oct 9: Index No.	Mon Oct 8: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (196)	708.45	-0.2	15.68	6.71	7.80	31.33	710.14	717.08	746.98	899.23
2 Building Materials (26)	973.04	....	15.07	6.26	8.16	39.70	972.83	987.75	1019.24	1034.89
3 Contracting, Construction (35)	1156.91	+0.4	17.60	6.89	7.42	56.07	1152.71	1167.14	1216.18	1423.76
4 Electricals (10)	1887.63	-1.8	14.90	7.13	8.21	84.91	1921.38	1934.71	2028.21	2587.52
5 Electronics (26)	1556.63	-0.1	10.80	5.50	12.66	56.74	1558.19	1580.45	1643.94	2020.15
6 Engineering-Aerospace (8)	405.80	-0.9	16.61	5.95	7.24	15.17	409.58	412.63	431.92	0.00
7 Engineering-General (47)	367.26	-0.7	16.31	7.07	7.37	16.85	369.71	376.38	385.67	0.00
8 Metals and Metal Forming (8)	407.09	-0.1	27.99	8.20	4.35	17.02	407.53	410.14	425.51	460.48
9 Motors (13)	270.42	+1.1	18.90	8.78	6.16	14.41	267.60	271.17	286.72	359.02
10 Other Industrial Materials (23)	1164.02	-0.4	14.47	7.00	7.99	60.14	1168.83	1166.84	1229.76	1689.62
21 CONSUMER GROUP (176)	1188.28	-0.7	10.41	4.34	11.87	30.57	1197.04	1200.43	1235.93	1272.37
22 Brewers and Distillers (22)	1476.63	-0.7	10.59	4.00	11.43	33.61	1487.77	1503.29	1542.40	1459.67
25 Food Manufacturing (18)	1007.32	....	11.52	4.85	10.70	28.13	1007.27	1011.39	1044.19	1141.04
26 Food Retailing (17)	2352.61	-0.5	10.14	3.55	12.55	50.82	2365.31	2380.22	2424.52	2379.11
27 Health and Household (16)	2370.19	-1.9	7.49	3.14	15.84	48.83	2417.17	2395.16	2481.45	2463.98
29 Leisure (32)	1207.33	-0.3	12.41	5.22	9.75	39.79	1210.88	1211.34	1244.85	1641.56
31 Packaging & Paper (12)	486.38	+0.2	13.24	7.16	9.28	22.95	485.54	492.95	507.51	549.97
32 Publishing & Printing (14)	2819.63	-0.9	12.73	6.64	9.84	124.64	2845.42	2890.54	2977.42	3509.86
34 Stores (33)	804.31	-0.2	10.95	4.62	11.87	18.58	805.88	807.45	833.91	777.90
35 Textiles (12)	409.32	+0.8	14.59	8.67	8.69	20.31	405.95	409.37	415.08	522.17
40 OTHER GROUPS (107)	973.52	-0.6	12.99	6.03	9.34	32.00	979.67	991.69	1024.41	1139.95
41 Agencies (16)	1011.52	-2.8	10.74	3.28	11.30	22.25	1040.19	1023.97	1052.67	1546.34
42 Chemicals (24)	988.66	-0.4	13.44	6.74	8.79	46.81	992.92	996.27	1039.22	1209.48
43 Conglomerates (15)	1308.59	-0.7	12.97	7.65	9.29	38.45	1318.34	1332.12	1384.24	1592.70
44 Transport (14)	1889.14	-0.1	12.85	5.55	9.86	65.20	1891.61	1910.94	1952.95	2207.99
46 Telephone Networks (3)	1083.90	-1.5	12.07	5.04	10.78	26.09	1099.88	1120.20	1157.77	1119.19
47 Water (10)	1958.76	+0.7	15.54	6.91	7.25	68.12	1944.39	1932.40	1960.39	0.00
48 Miscellaneous (25)	1511.31	+0.6	13.86	5.96	8.28	61.49	2.13	1552.39	1602.73	1908.77
49 INDUSTRIAL GROUP (479)	1006.00	-0.6	12.36	5.38	9.91	32.22	1.98	1019.33	1053.26	1153.00
51 Oil & Gas (21)	2398.58	-0.7	9.33	5.21	14.00	85.44	2415.13	2407.80	2419.19	2212.00
59 500 SHARE INDEX (500)	1119.44	-0.6	11.87	5.35	10.40	36.51	1126.27	1132.58	1165.09	1241.97
61 FINANCIAL GROUP (103)	691.42	-1.3	-	6.87	-	31.79	700.54	707.93	734.68	765.80
62 Banks (9)	738.85	-1.4	22.15	7.80	5.91	42.00	749.10	766.39	797.01	775.26
65 Insurance (Life) (7)	1318.84	-3.1	-	5.82	-	54.97	1360.39	1376.54	1431.62	1196.40
66 Insurance (Composite) (6)	604.34	-2.0	-	7.02	-	27.35	616.87	620.59	644.11	641.14
67 Insurance (Brokers) (8)	793.76	+1.1	9.51	8.09	13.74	41.94	784.91	784.94	827.73	997.89
68 Merchant Banks (7)	356.75	-0.4	-	5.74	-	12.75	358.00	356.13	356.77	406.63
69 Property (45)	908.61	+0.1	8.31	5.36	15.89	25.08	907.74	899.54	937.04	1219.34
70 Other Financial (21)	245.69	-0.4	11.52	7.10	11.27	11.62	246.65	249.13	252.78	335.56
71 Investment Trusts (66)	985.40	-0.6	-	4.01	-	25.03	991.19	1003.30	1031.69	1221.44
91 Overseas Traders (5)	1154.03	-0.8	12.40	7.99	9.61	59.65	1163.20	1168.85	1179.60	1346.48
99 ALL-SHARE INDEX (674)	1013.99	-0.7	-	5.55	-	34.93	1021.20	1027.82	1058.54	1127.04

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 10	Oct 9	Oct 8	Oct 5	Oct 4	Year ago
FT-SE 100 SHARE INDEX‡	2102.2	-19.6	2123.0	2100.4	2121.8	2134.1	2201.6	2143.9	2070.4	2237.8

FIXED INTEREST

PRICE INDICES	Thu Oct 11	Day's change %	Wed Oct 10	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	117.79	+0.09	117.93	0.24	9.97
2 5-15 years	123.25	-0.09	123.36	-	10.60
3 Over 15 years	123.60	-0.14	123.77	-	9.84
4 Irredeemables	142.48	+0.03	142.44	-	8.85
5 All stocks	123.30	-0.03	123.42	0.09	10.42
Index-Linked					
6 Up to 5 years	153.93	+0.06	153.84	-	3.04
7 Over 5 years	138.53	-0.03	138.57	-	3.12
8 All stocks	139.57	-0.03	139.61	-	3.11
9 Debentures & Loans	101.92	+0.06	101.87	-	9.20
10 Preference	73.12	-0.19	73.26	-	5.33

AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 11	Wed Oct 10	Year ago (approx.)
British Government				
1 Low	5 years	10.78	10.78	10.47
2 Coupons	15 years	10.78	10.77	9.72
3	25 years	10.78	10.77	9.57
4 Medium	5 years	11.52	11.52	11.20
5 Coupons	15 years	11.28	11.25	10.09
6	25 years	11.13	11.09	9.69
7 High	5 years	11.62	11.62	11.33
8 Coupons	15 years	11.50	11.47	10.30
9	25 years	11.30	11.29	9.85
10 Irredeemables		10.96	10.96	9.63
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	4.00	4.01	3.99
12 Inflation rate 5%	Over 5 yrs	4.34	4.33	3.71
13 Inflation rate 10%	Up to 5 yrs	2.86	2.87	3.21
14 Inflation rate 10%	Over 5 yrs	4.16	4.16	3.55
15 Debs & Loans	5 years	13.99	14.06	13.40
16	15 years	12.74	12.77	12.48
17	25 years	12.35	12.35	11.82
18 Preference		12.95	12.92	10.54

‡Opening index 2113.9; 9 am 2120.3; 10 am 2114.9; 11 am 2109.7; Noon 2110.6; 1 pm 2108.4; 2 pm 2108.8; 2.30 pm 2113.3; 3 pm 2109.8; 4.10 pm 2102.0 (a) 8.46am (b) 3.59pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	25	43	25
Corporations, Dominion and Foreign Bonds	2	1	18
Industrials	239	413	911
Financial and Properties	86	239	416
Oils	21	33	35
Plantations	1	0	9
Mines	10	50	96
Others	30	87	93
Totals	414	866	1,603

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

- First Dealings Oct. 1
- Last Dealings Oct. 12
- Last Declarations Jan. 10
- For settlement Jan. 21

For rate indications see end of London Share Service.

Calls: Aviva, Baltic Res., Community Hospitals, Lep, Berisfords, Hewden-Stuart, Hanson Wts., Kelt Energy, STC. Puts: Monarch Res.

LONDON TRADED OPTIONS

THE EQUITY futures market continued to drift lower yesterday on concern over tension in the Gulf and the weaker tone on Wall Street.

Traded options had a quieter day, reflecting the quieter session on the stockmarket.

The December FT-SE 100 index contract opened firmly despite the decline in Japanese equities. Dealing slackened during the middle of the session but picked up towards the close.

December finished 24 points down at 2,157.

The futures market traded at a premium to the cash market throughout the session at around 50 to 55 points.

At the close, its premium stood at 55 points compared with 64.

In the traded options market turnover fell back by around 40 per cent.

The decline in activity in the stockmarket depressed dealing in the derivative markets.

The total number of contracts traded stood at 30,312, compared with 49,141.

As the stockmarket declined, put trading continued to dominate. Calls accounted for 13,735 lots and puts 16,577.

The FT-SE 100 index options were the busiest contract, accounting for over 25 per cent of total activity. A total of 9,456 lots were traded, of which 5,972 were puts and 3,484 were calls. The November 2,050 puts were the most popular, trading 1,177 contracts.

Among the stock options, Ladbroke dominated, on active call buying before the expiry of the October contracts.

A total of 1,964 lots were traded, of which 1,503 were calls and 461 were puts. The October 300 calls wer the most popular, trading 935.

After its final results, Amstrad continued to trade actively. A total of 1,750 lots changed hands, of which 1,563 were calls and 187 were puts. The December 45 calls were the busiest as 1,505 were traded.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*461)	420	43	56	73	1½	9	15
	460	9	32	47	9	25	30
	500	2	16	30	43	50	53
ASDA (*126)	110	17	23	27	1	5	5
	120	7	15	19	2	7	11
	130	2	11	14	7	13	16
Brit. Airways (*137)	140	4	11	15	7	14	17
	160	1	6	10	24	28	30
Trafalgar (*205)	200	12	20	28	5	20	23
	220	4	10	18	20	30	35
	240	1½	5	13	37	45	48
Utd Biscuits (*312)	300	14	32	40	2	9	14
	330	1	16	24	20	24	28
	360	1	6½	13	50	50	50
Unilever (*644)	600	45	70	92	2	17	25
	650	9	42	64	17	39	45
	700	1½	23	38	62	65	67
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*228)	220	19	26	34	9	14	18
	240	8	15	-	17	21	-
Amstrad (*61)	60	6½	10	12	6½	8½	9½
	70	2¼	6	8½	12½	14	15
Barclays (*354)	330	45	57	60	10	18	21
	357	26	-	-	22	-	-
Blue Circle (*222)	220	18	28	30	12	16	22
	240	8	17	-	24	27	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Manpower ready to wait for buy-out

By David Owen

MANPOWER is prepared to give the management team trying to buy five of its UK businesses as much time as needed to resolve financing problems unless the group concludes that an impasse has been reached.

Mr Mitchell Fromstein, chairman of the US-based employment agency group, said yesterday that it was prepared to extend any completion deadline "as long as we feel that progress is being made towards a solution."

It emerged on Wednesday that the proposed £106m sale of five UK employment agency chains had hit last minute problems. This was due to the apparent non-satisfaction of requirements laid down by bank lenders to Brook Opportunities, the buy-out vehicle, as a pre-condition for the loan.

The news came just before the stock market closed with Manpower shares unchanged. Yesterday the shares slipped 5p to 48p. Mr Fromstein said: "We are concerned of course, but the fiscal structure of Manpower is such that this is not a critical deal for us."

Under the deal, which is being organised by Prudential Venture Managers, loans to Brook amounting to £75m would be obtained from Citibank, Barclays, Chase Manhattan and Intermediate Capital Group.

The largest tranche would be a £30m medium-term loan due at the end of October 1994 at Libor plus 2 per cent. There would also be £13m of senior subordinated debt due April 1998 at Libor plus 3.25 per cent.

In connection with the financing, Brook was required to purchase options covering at least 75 per cent of the term facilities and 100 per cent of the senior subordinated loan, to fix the funding cost at an interest rate of not more than 13.25 per cent for three years.

The deal, announced last month, is intended to sever the connection between Manpower and Blue Arrow, the company formerly headed by Mr Tony Berry, which took over Manpower two years ago for £800m.

Mitchell Fromstein: this is not a critical deal for us

Propeller in talks over Corton's 22% stake

By Clare Pearson

PROPELLER, the financially-stretched USM-quoted leisurewear group planning a 3-for-2 rights issue, was yesterday in negotiations with the receiver appointed at Corton Beach, the mini-conglomerate, over the fate of Corton's 22 per cent stake in the company.

Corton Beach had earlier planned to take up its rights in full under the share issue, announced a week ago, by means of borrowing funds from the underwriters secured against the new shares.

Yesterday Propeller, where Mr Michael Keen, Corton's chairman, resigned as non-executive chairman last week, said its directors were in discussion with the receivers from Price Waterhouse, the accountancy firm, over alternative arrangements.

Propeller added that underwriting arrangements for the rights issue were "still subject to suitable arrangements being made between Propeller and lenders" satisfactory to the institutional shareholders.

Propeller's shares shed 3p to 4p. Price Waterhouse was appointed at Corton Beach yesterday after talks on a refinancing proposal with the company's bankers – owed more than £30m – broke down on Wednesday.

Price Waterhouse has been appointed at 20 of Corton Beach's food and motor dealership subsidiaries, as well as the holding company, but the leisure division has been excluded at this stage. The jobs of more than 1000 employers are at stake.

Mr Gordon Horsfield has been appointed at the Southport-based holding company and there are separate receivers for the divisions.

PW said yesterday: "the depressed property market, high interest rates and recessionary pressures together with trading difficulties in parts of the food division combined to cause the group to run out of cash."

At the motor division, the Yorkshire-based Lyon & Lyon which Corton acquired in an ambitious £13.6m takeover in June last year has gone into receivership along with the other 12 dealers.

Trading problems in the food division had arisen particularly in the chilled and frozen food division of Norpak, the distribution business, PW said.

Corton's results last week showed taxable profits had almost halved from £2.26m to £1.23m in the half-year to end-July. The interest charge was £1.78m (£1m) but some £424,000 of interest was capitalised.

Until then equity-accounted, the group's share of Propeller's results were excluded for this period. A £109,000 writedown was made on the investment, which had been included in the balance sheet at a value of 48p per share.

Michael Keen: resigned from Propeller last week

Quarto edges ahead as acquisitions lift turnover

By Andrew Jack

ACQUISITIONS helped Quarto Group, the book and magazine publisher, push turnover up in the six months ended June 30 although pre-tax profits rose only slightly, from £1.21m to £1.27m.

The US-incorporated company, which moved from the USM to a listing in June, lifted turnover up by 24 per cent to £15.92m (£12.79m).

Most of the growth came from three businesses – Broughton Hall, RotoVision and Art Nouveau – bought for £6.8m in May 1989 with a placing of 4.9m shares. The additional shares reduced fully diluted earnings to 5p (5.7p) for the six months and the interim dividend is unchanged at 1.5p.

"We are keeping our head fairly well above water in a tough environment," said Mr Laurence Orbach, chairman and chief executive.

The bulk of turnover comes in the second half, he said, and two of the three acquisitions would become profitable then. Only Broughton Hall, a California-based information directories company, made a profit in the first half.

Like-for-like sales were stable and margins were maintained in the book packaging division, which made all three acquisitions. Book packaging contributes approximately 70 per cent of turnover.

Production and marketing services remained profitable in spite of falling demand. "The number of suppliers seems to be falling almost as fast as the business," Mr Orbach said.

The magazine division suffered losses as a result of declining advertising revenues. "As long as the business as a whole is sound, we have made a positive decision not to abandon it."

The group's main acquisition this year, Rockport Publishers, was bought for £3m in cash in June.

There is an extraordinary £110,000 debit to cover the expenses of the listing.

Quarto's shares closed up 2p to 94p.

Murray Johnstone plans new investment trust

By Sara Webb

MURRAY JOHNSTONE, one of the UK's largest independent fund managers, is planning to launch a new kind of investment trust which is intended to help investors reduce their inheritance tax bills.

The Murray Legacy Trust, which is a split capital investment trust, will be floated early next year subject to Stock Exchange approval.

Its structure will allow investors to give away part of their investment to their children or relatives, while still receiving the income stemming from the total investment.

Of the two classes of shares to be issued, the zero dividend preference shares would provide the capital entitlement, growing at a fixed rate, but no entitlement to income.

The ordinary shares are entitled to the income from the whole of the portfolio and carry an entitlement to the remaining capital growth.

An investor who wants to give away some of his capital to his children, but who needs to have some income, could buy both classes of share and transfer the zero shares to his children, either directly or in a trust. He would then be entitled to the income from the whole investment by means of the ordinary shares that he keeps.

However, if the investor did not require the income, he could retain the zero shares for himself, and give the ordinary shares to his children, perhaps to pay for his grandchildren's schooling.

In either scenario, the investor would avoid paying inheritance tax on a portion of his investment provided he lives for seven years after transferring part of the sum to his heirs.

Murray Johnstone is looking for a minimum subscription of £10,000 which will buy 6,000 ordinary shares and 4,000 zero shares.

The Glasgow-based fund managers plan to invest in high yielding blue chips.

Young Group seeks to undercut UK coal prices

By Ian Hamilton Fazey, Northern Correspondent

YOUNG GROUP, the Newcastle-based quoted private sector coalmining specialist, is to land high quality Venezuelan coal in the UK for less than £30 a tonne and undercut local prices by at least 16 per cent.

Young hopes to exploit the UK's artificially inflated prices, where British Coal's markets are protected by royalties of £6 per tonne on private sector mining companies.

The new trade will follow the acquisition yesterday of an 80 per cent stake in Carbones Naricul, a Venezuelan opencast mine, by Sanger Peak Holdings, a Young Group subsidiary. The price is US$1.1m (£560,000) cash, plus Young's assumption of $1.3m of debts.

About £3m will invested during the next three years to develop opencast sites in Venezuela and raise production to 1m tonnes of coal a year. Target markets will be the US, Canada, the European Community and the Soviet Union.

Sanger Peak Holdings has been set up with Otto A. Muller, a German company, which has a 36.25 per cent share. "Muller has the shipping and marketing skills, while we are the miners," Mr Bob Young, Young's chairman and chief executive, said.

Muller already has contracts to supply coal to the new venture's European and North American target markets.

Carbones Naricul's previous owner was Nortonville Coal of Illinois, which retains a 20 per cent stake.

Mr Young said his group's UK sites were in similar terrain to those in Venezuela. The Venezuelan government had approved the deal after studying Young's record in the UK in successfully restoring land to agricultural use after operations had ceased.

Mr Young added: "The coal has a low sulphur content and high calorific value and is the sort which environmentally conscious power stations want for electricity generation. We have struggled for years against the royalties we have to pay British Coal and we shall now be able to make our point very obviously in the marketplace."

Jacques Vert shares fall 65p after warning

By Alice Rawsthorn

JACQUES VERT yesterday became the latest casualty of the slump in the textile industry when it warned that pre-tax profits for the the six months to October 31 were likely to be "significantly below" those of the previous first half.

However, Mr Alan Green, joint chairman, said he was confident that the company would have resolved its problems by the second half. The shares, which are quoted on the USM, fell by 65p to 120p after the announcement.

Jacques Vert, which designs and makes womenswear, had been regarded as one of the more stable players in the volatile clothing industry.

The industry has suffered severely in the past year or so because of the parallel problems of rising imports, fuelled by the strength of sterling, and the sluggish domestic market, where sales have been affected by high interest rates.

Until now Jacques Vert appeared to have emerged unscathed from the industry's problems. This was partly because its area of the market – making middle-market clothes mainly for middle-aged women – has remained relatively resilient and partly because of its investment in new technology.

Healthy sales of the new Alain Cannelle leisurewear collection helped to increase turnover in the first half. But Mr Green said gross margins were reduced "across the board" because of a change in merchandising strategy. The company reduced the price of some garments to try to stimulate sales. It was also burdened by higher overheads.

As a result interim profits are expected to fall from the £2.4m it made on turnover of £19.1m in the first half of 1989.

The company has changed its merchandising strategy and has also taken action to reduce overheads by cutting capital expenditure.

Mr Green said that although it was not yet possible to ascertain the impact of the first-half margin squeeze on the full year, he expected an improvement in the second half.

Cheap imports blamed for 42% drop at S Jerome

By Richard Gourlay

S Jerome, the textile group based in Yorkshire, which has diversified into electronic security and communications, yesterday announced interim pre-tax profits down 42 per cent at £604,000.

The group blamed cheaper imports because of sterling's strength, high inflation and a fall in consumer spending.

The interest charge of £382,000 was covered 2.6 times by operating profits. The level of debt and gearing, at around 25 per cent, were unchanged over the period and the larger interest charge reflected higher interest rates, the company said.

The board proposed to maintain its interim dividend of 2.6p. For 1989 as a whole the group declared an 8.4p dividend. Earnings per share fell from 9p to 5.2p.

Operating profits from the textiles division fell from £1.3m to £700,000 after a drop in orders from the woollen division.

In the electronics division, profits rose from £81,000 to £285,000 in a buoyant market for closed circuit television security systems and offshore communications equipment.

The diversification from textiles 10 years ago and the relatively poor performance from Jerome's original business means electronics accounted for nearly 30 per cent of turnover in the first half of 1990.

This year the group will complete five years of capital investment in new weaving looms, computer aided design capability and dye vats which will have cost a total of £7.5m.

Mr Alan Jerome, the group chairman, said no new significant capital expenditure was anticipated in 1991 and that the group was confident that when conditions in the high street improved it would be ready to take advantage of the business upturn.

THE POLLY PECK AFFAIR

Last minute sales not expected before today's bank talks

By David Barchard in Ankara

MR ASIL NADIR, chairman of Polly Peck International, last night was still believed to be holding last minute talks in Istanbul with possible buyers of some of his Turkish subsidiaries.

However, as the country's three largest industrial conglomerates ruled themselves out one by one as potential purchasers of any of Polly Peck's assets in the country, the prospects grew that Mr Nadir will return empty-handed to face his banks this morning.

Polly Peck officials declined to give any information about his activities ahead of today's crucial meeting with bankers in London which will decide whether the company survives in its present form.

"I think he is trying to grapple with two liquidity problems," said one banker. "There is Polly Peck liquidity problem and also Mr Nadir's own personal liquidity problem. He has very little time left to overcome them both."

In Istanbul, businessmen said they understood Mr Nadir was negotiating a deal with the Çukurova Group, one of Turkey's main industrial conglomerates, to acquire up to 50 per cent of Vestel, Polly Peck's consumer electronics subsidiary in Turkey.

On his own behalf, Mr Nadir was said to be negotiating the sale of Impex Bank, the small Turkish merchant bank which he bought two years ago.

Çukurova is also negotiating to buy British & Commonwealth Merchant Bank in the UK for about £50m. The group earlier this year announced plans for a joint venture with Mr Nadir and the Peugeot group of France, and is regarded as one of his very few allies in Turkish business.

However, by yesterday evening Çukurova publicly stated that it would not buy anything from Polly Peck due to a lack of resources.

Mr Nadir's presence in Istanbul was being concealed by officials at the company's elegant late Ottoman building near Taksim Square. Callers were told messages would be passed on to him, but said they did not know where he was.

Meanwhile, Mr Nadir's trading company, NadirDiş Ticaret was among six companies stripped of special government privileges allowing them to trade with the Soviet Union and China. Officials in Ankara said the move came because the company had exported less than $100m last year and was not connected to Mr Nadir's present difficulties.

Nadir seeks to challenge SFO in court

MR ASIL NADIR, chairman of Polly Peck International, yesterday sought to challenge in the High Court the "unfair" refusal of the Serious Fraud Office to give him information about the transactions which have led to his being investigated.

The SFO is looking into allegations that Polly Peck's share price has been manipulated, as well as suspected insider dealing and other possible offences.

Mr Edward Bannister, counsel for Mr Nadir, asked Mr Justice Steyn in the High Court for leave to seek judicial review of the refusal last month by Mrs Barbara Mills, director of the SFO, to supply him with "short particulars" of the transactions which have led to the investigation.

Mr Bannister said the SFO was under a duty to act fairly and give Mr Nadir a "rough clue" as to what was being said against him so that he had the opportunity to defend himself and rebut any allegations made.

Mr Nadir did not expect to be able to see documents or to be given details of the actual evidence against him.

Mr Nigel Pleming, for the SFO, argued that Mr Nadir's application was "misconceived".

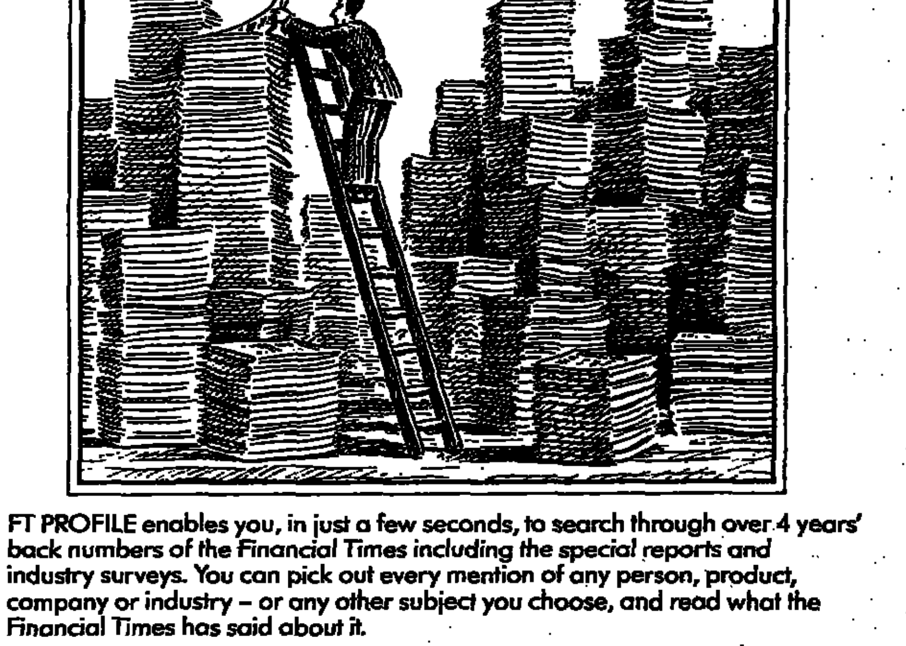
The SFO director had refused to give any information because this might prejudice inquiries now being carried out.

The judge said he would give his decision this morning on whether or not to allow judicial review.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BNB Resources ....int	1.5	Nov 30	1.3	-	4
Cohen (A) ....int	6.6	-	6.6	-	23.1
Jerome (S) ....int	2.6	Nov 30	2.6	-	8.4
Jones Group ....int	3♣	-	3	-	11
Microfilm Repro ....fin	3†	Dec 1	2.25*	4.5	3.38*
Quarto ....int	1.5	Dec 8	1.5	-	4.875
Silvermines ....int	1.5♣†	Jan 10	1.5	-	4
Town Centre Secs....fin	1.5‡‡	Jan 2	1.2	2.25	1.8
TR Far East inc ....int	1	Jan 2	0.8	4	2.8*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency. ‡‡Scrip option.



UK COMPANY NEWS

Interest payments help BNB Resources to £2.52m

By Richard Gourlay

BNB RESOURCES, the recruitment and regional advertiser formerly called Charles Barker, reported interim pre-tax profits up 22 per cent at £2.52m helped by £1m of interest from cash balances bolstered by last year's rationalisation.

Turnover fell £21m over the period, reflecting the sale of the Charles Barker public relations business and the demerger of Ayer Barker, the consumer advertising agency. However earnings per share on the reduced balance sheet rose 46 per cent to 7.6p. An interim dividend of 1.5p (1.3p) was declared.

Mr David Norman, BNB's chairman, said the human resources business, including recruitment advertising and management selection, had performed strongly, helped by two new accounts with British Airways and British Rail.

Executive search business in the financial services sector was down but in the industrial, retail and computing areas demand had remained reasonly good. The division reported operating profit up 32 per cent at £1.8m on income up 11 per cent.

The group's middle management recruitment business, NB Selection, which caters for executives commanding compensation packages between £25,000 and £75,000, raised revenue by 60 per cent, helped by four new regional offices.

Operating profits in the regional communications business, covering advertising and public relations, fell from £600,000 to £109,000 largely because of the loss of a significant account in Birmingham.

Mr Norman said BNB had benefited from its decision to concentrate on its human resources and regional communications business, a move that helped boost its cash balance at the half year to £15m. He warned that business conditions were likely to become tougher in each market sector.

BNB planned to continue growing organically in the regional and human resources businesses but was also considering making acquisitions within its existing field.

The shares closed 3p up at 86p.

David Norman: strong performance from human resources business

AH Ball hits low of 75p after warning on trading

By Nigel Clark

THE TALE of woe at AH Ball Group since it joined the USM has continued with its second profit warning in a year. The share price fell sharply from 130p to 75p yesterday after the water pipeline contractor said it had faced extremely difficult trading conditions in the six months to end-September.

The company, which was floated in June 1989, blamed the water industry delaying capital spending and the downturn in the construction industry leading to increased competition in its market.

It added that the postponing of projects had placed pressure on both levels of activity and margins. It had also resulted in the loss of a period schedule contract which had contributed turnover of £600,000 in the year to March 31 1990.

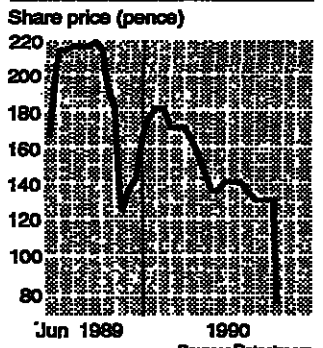
Trading results for the first half and the full year would be significantly below the comparable periods, the company added. Pre-tax profits for the six months to September 30 1989 were £609,000 with £1.22m for the full year. They compared with £670,000 and £1.41m.

At the time of the interim figures, expected in December, the directors said they should be able to comment further on the outlook for the rest of the present year and next year. However they remained confident about the group's prospects in view of the water industry's longer-term capital spending needs and the fact that it had a strong balance sheet with no borrowings and bank deposits of more than £1.25m.

In November last year the shares fell from 181p to 143p after the company said that it had been experiencing difficult trading conditions, partly as a result of the water companies' preoccupation with privatisation. It had also been affected by the fall in residential housing developments.

The shares were floated in June 1989 at a price of 165p.

A H Ball



Aiming to keep the gorilla at bay

Hugo Dixon follows up AT&T's £180m acquisition of Istel

WHEN AMERICAN Telephone and Telegraph, the US telecommunications group, bought Istel, the UK information services concern, for £180m in September last year two fears were expressed about the acquisition.

The first was, in the words of Mr John Leighfield, Istel's chairman, that the smaller company would end up being squashed by "an 800lb gorilla".

The second was that there would be desertions among Istel's staff, since the deal turned 14 top managers into millionaires and gave the next most senior 35 executives over £100,000 each.

Neither fear has yet turned out to be true. On the personnel front, only two of the top 70 executives have left before their normal retirement ages, says Mr Leighfield. And, although some managers have splashed out a bit by buying racehorses and fancy cars, Mr Leighfield's own extravagance has been limited to buying a new hi-fi set, a couple of new suits and taking a two-week holiday in Portugal.

"What motivates most of our people is to help Istel achieve its mission of being successful," says Mr Leighfield. "So long as we believe we are being encouraged and being allowed to achieve that mission, people will not leave."

Nor has Istel ended up being squashed by AT&T, although Mr Leighfield admits that his monthly trips to the US are at least partly designed to avert that threat. "If they understand us, they won't do anything silly," he explains.

However, although the acquisition does not appear to have caused significant problems, it has yet to produce dramatic benefits. The rationale behind the purchase was to marry AT&T's expertise in basic telecommunications services with Istel's knowledge of advanced telecommunications services and use the combination in an assault on the wider European market.

Istel felt that it was too small on its own to take advantages of the opportunities in continental Europe which had been thrown up by the European Commission's liberalisation programme. The idea was that AT&T's resources could be combined with Istel's entrepreneurealism without either being damaged.

Mr Leighfield lists six practical achievements of the past year in getting synergy between the two groups:

- AT&T Istel Computer Systems was set up to market AT&T computer products in the UK, with a former Istel executive as the managing director;
- AT&T Istel Global Messaging Services was established, combining AT&T and Istel's electronic mail, electronic data interchange and facsimile services. Again, the managing director is an Istel employee;
- Istel's network has been linked with AT&T's networks in the US and Japan, to allow the provision of global services. Although only few customers want global services at the moment, Mr Leighfield believes that this market will grow very fast;
- Istel and Bell Laboratories, AT&T's flagship research organisation, have started research into producing a more streamlined methodology for developing advanced telecommunications software – a move which could help reduce costs substantially;
- Istel is about to implement a network management system developed by Bell Labs. Network management systems are seen as an increasingly important element in giving communications companies a competitive advantage;
- and Istel has been able to use AT&T as a means of getting introductions to large US multinationals, although no business has yet resulted from this connection. One Istel executive says that the AT&T name is a powerful advantage. Istel originally planned to retain its name following the acquisition, but has decided to change it to AT&T Istel in recognition of the advantages of the AT&T brand.

However, on the central objective of expanding in Europe, there has been no visible action.

Mr Leighfield explains that such things take time. The past year has been spent refining priorities [West Germany and France are the top targets], drawing up an expansion plan and looking at possible takeover targets and joint venture partners.

But, if the positive side of AT&T's acquisition takes time to mature, is it not also possible that the negative side will also rear its head at a later date?

Mr Leighfield is alive to the possibility. He says that one of the main challenges of the next six months will be "keeping ourselves the nimble little animal we were and making sure the gorilla is there as a friend and supporter, not as an inhibition."

John Leighfield – helping Istel achieve its mission of success

Microfilm advances 25% to £7.53m

MICROFILM Reprographics, the microfilm bureau, increased pre-tax profits by 25 per cent from £6m to £7.53m in the year to June 30. Turnover rose 29 per cent to £31.13m, writes Andrew Bolger.

Earnings per share advanced 28 per cent to 14.3p (11.2p). A final dividend of 3p makes a total for the year of 4.5p, an increase of 33 per cent over last year's 3.38p. A one-for-two scrip issue is to be made.

Mr John Redmond, chairman, said despite current economic conditions he considered 1991 should be another successful year.

The group had made no material acquisitions during the past 12 months, but felt that opportunities might arise in the current conditions for profitable acquisitions. Net cash was increasing as a result of the continuing real profitability, so there were funds to take advantage of any such opportunities.

Mr Redmond was encouraged by the increasing tendency for banks and other organisations to contract out their laser-printing and micro-film activities.

NEWS DIGEST

Further slowdown at A Cohen

A FURTHER slowdown at A Cohen & Co in the six months to June 30 resulted in a 39 per cent fall in taxable profits from £2.13m to £1.29m. Figures for the 1989 year declined 17 per cent to £3.51m. Turnover for the period under review fell from £51.59m to £46.57m.

Following the results the shares fell 50p to 425p. They closed at 450p. The company, which makes non-ferrous metal ingots and reclaims and trades recyclable materials, said there was no sign of a recovery in the secondary aluminium market, a pre-requisite for a return to growth.

The interim dividend is maintained at 6.6p on earnings per share of 39.9p (76.6p).

Lister sees end to spinning losses

Mr Justin Kornberg, chairman, told the annual meeting of Lister & Co yesterday that action to tackle losses in spinning activities was at an advanced stage and would be completed by Christmas. As a consequence it was expected that these losses would be eliminated.

The year to March 30 the group suffered pre-tax losses of £1.27m (£1.63m profit), due to the effect of the knitwear industry downturn on the spinning division. Mr Kornberg said losses in that area had continued in the first half. However, the benefit of recent changes was expected to show through in the second half.

TR Far East net assets decrease 18%

TR Far East Income Trust, formerly TR Australia Investment Trust, reported net asset value down 18 per cent to 85p at the end of August 1990, compared with 103.6p a year earlier after adjusting for share issues.

The directors pointed out that this outperformed the FTA Pacific Index in sterling terms, which fell by 26.4 per cent over the period.

After-tax revenue for the year rose from £1.92m to £2.94m, while earnings per 25p share were up to 6.3p (adjusted 4.1p), although the increase was assisted by two factors which may not recur this year – dealing profits from a subsidiary were included in consolidated revenue account and parent company income was augmented by a large dividend from the Taiwan Fund and other special dividends.

A fourth interim dividend of 1p has been declared making a total of 4p (adjusted 2.8p and excluding special adjusted 0.7p paid in 1989) and at least the same amount forecast for the current year.

Town Centre growth restricted to 12.5%

Losses on property and investment dealing restricted the pre-tax profit growth at Town Centre Securities to 12.5 per cent in the year ended June 30 1990.

The profit came to £5.65m (£5.02m). Earnings were 4.07p (3.65p) and the proposed final dividend is 1.5p for a total of 2.25p (1.8p).

Gross rental and investment income rose 15.6 per cent to £12.96m (£11.21m) and revenue advanced 20 per cent to £10.27m (£8.53m). However, there was a loss of £97,000 (profit £764,000) from dealing, and interest charges were up to £4.52m (£4.27m).

Asset value per share at June 30 was shown at 143.31p (152.73p).

Fast Forward Inns reduces losses

Fast Forward Inns achieved operating profits of £14,800 in the six months to June 30 and reduced losses at the pre-tax level from £121,900 to £96,800. Turnover rose 8 per cent from £2.75m to £2.98m.

The company joined the Third Market in January with 19 pubs, nine under the name of Slug and Lettuce.

Mr Robin Thompson, the chairman, said yesterday he was confident that the company had turned the corner. Plans were well advanced for acquisitions, which would in most cases operate under the Slug and Lettuce style.

Higher operating costs and interest payments held back these latest results. Operating costs came to £723,200 (£625,000) and interest was £111,600 (£53,500). There is no dividend payment.

Silvermines halved at I£2.05m

Silvermines Group, the Dublin-based engineering and technology company, reported halved pre-tax profits in the first half of 1990. Profits fell from I£4.14m to I£2.05m or £1.83m sterling mainly because of a lower exceptional profit of I£513,000, against I£2.62m.

Turnover was higher at I£32.73m (I£30.59m) for operating profits of I£3.2m (I£3.02m). Interest charges increased to I£1.73m (I£1.58m).

Earnings per share were 3.26p (10.98p) and the interim dividend is being maintained at 1.5p. The company was taking a cautious view on investment and growth plans in the present economic climate.

Wills Group drops to £56,000 halfway

After exceptional non-recurring costs of £106,000, Wills Group saw pre-tax profit fall to £56,000 in the first half of 1990.

That came from continuing activities and compared with £238,000. Adding in £167,000 on discontinued activities, the 1989 total pre-tax was £405,000.

Wills is a specialist marketing group which, in the half year, continued to reduce its bank exposures in Australia and New Zealand. Since June 1989 that had been cut by 60 per cent and more substantial reductions were anticipated throughout this year and next.

Turnover in the half year came to £9.26m (£9.6m) and trading profit worked through to £302,000 (£522,000). Earnings were 0.2p (2.4p). No dividend has been paid since the final of 1987.

Jones Group profit slips to I£2.18m

Jones Group almost maintained its first half pre-tax profit, despite poor results from Enviroquip, its maker of water and waste water treatment plants.

But that company was now recovering and, provided that was sustained, group profits for 1990 would be ahead of the previous I£5.46m, the directors said.

For the first half this Dublin-based manufacturing, shipping, distribution, engineering and environmental group, lifted turnover to I£60.12m (I£50.52m) but saw profit slip from I£2.26m to I£2.18m (£1.95m). Earnings were 14.4p (16.1p) and the interim dividend is again 3p.

The directors also disclosed that an approach had been made with a view to negotiating the purchase of the Irish and UK environmental activities.

The second half had started well. In the distribution division the Gulf crisis precipitated a uniquely high level of oil sales in August.

Chieftain warns on profits setback

Chieftain Group, the USM-quoted supplier of insulation and fireproofing services, announced that it did not expect its results for the current year to exceed 80 per cent of the £1.32m achieved in 1989.

Blame was attributed to the reduced number of short-term contracts within the sector – with a consequent lowering of margins. In addition, a number of large contracts were less advanced at the year-end than had been expected. Clients had also been reluctant to settle final accounts on the completion of contracts.

However, Chieftain said it had a strong order book and hoped to maintain market share over the year as a whole. It also expected to maintain the 1990 final dividend at 2.7p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Downiebrae Hldgs., Geers Gross, Helene, Johnston Grp., Office & Electronic Machines, Slingsby (H.C.), WB Industries.
Finals- Raglan Prop. Tst.

FUTURE DATES

Interims-	
Anglo Pacific Res.	Oct. 16
Appleby Westwood	Nov. 8
Bimec Inds.	Oct. 24
Brown (R.)	Oct. 24
Ocean Wilsons Hldgs.	Oct. 17
Securities Tst. of Scot.	Oct. 25
Value & Income Tst.	Oct. 23
Westbury	Nov 1
Finals-	
Hanson	Dec. 6
McKechnie	Oct. 23
National Homes Loans	Nov. 8
Prestwick Hldgs.	Oct. 22
Ramar Textiles	Oct. 25
Smart (J.) & Co.	Nov. 1

COMPANY NEWS IN BRIEF

CITY SITE Estates has disposed of its long leasehold interest at 17-22 Sloane Street, London SW1. The purchaser is Power Corporation.

COMPUTING SERVICES For Industry has acquired fellow IBM agent, Nova, from the administrative receiver. The takeover enhances CSI's position in the north. Plans have also been accelerated for a branch office serving south London.

CRAY ELECTRONICS Holdings has sold A.C.E. Packaging Designs to Lin Pac Mouldings for £3.023m, paid in cash on completion. A.C.E. designs and manufactures polystyrene packaging products.

JEYES GROUP is selling the blowmoulding business of its subsidiary, Jeyes, to the LMG Fibrenyle division of Lawson Mardon Group, Canadian-owned plastics company. The consideration of £1.25m is payable in two equal instalments.

PHOENIX TIMBER has acquired the stock, plant and machinery of the scaffold board business formerly carried on by B and W Scaffold Boards, for about £635,000 in cash.

RENTOKIL has further expanded its Tropical Plant Rentals subsidiary via four US acquisitions totalling $2.1m (£1.1m). Three of the acquisitions are added to branches in St Louis and Chicago. The fourth deal is the $680,000 purchase of Botanical Decorators in Washington DC. In addition, a $400,000 deal has been completed to acquire the US manufacturing and distribution rights to the range of Randall Plant Containers.

ST MODWEN Properties has sold its Concord Business Park development near Manchester Airport to Ossory Investments for $26m.

STOREHOUSE has sold its 48.5 per cent stake in publisher Conran Octopus to Reed Book Publishing, its partner in the joint venture, for £1.625m.

TRANSPORT DEVELOPMENT Group has acquired a 75 per cent interest in Albatros Speditions, a German distribution company. Albatros specialises in the refrigerated distribution of fresh foods, particularly dairy products and cured meat.

WENTWORTH INTERNATIONAL Group: Banque Indosuez, underwriter of the rights issue, has taken a stake of 43.9 per cent in the enlarged share capital of 47.73m shares. The bank has agreed not to vote any more than 29.9 per cent of WIG's voting share capital. It has also agreed to reduce its stake below 30 per cent as soon as possible.

PUBLIC WORKS LOAN BOARD RATES

Effective October 10

	Quota loans repaid			Non-quota loans A* repaid		
Years	by EPP†	At††	at maturity§	by EPP†	At††	at maturity§
1	–	–	12¾	–	–	13½
Over 1 up to 2	12⅝	12⅝	12⅛	13⅝	13⅝	12⅞
Over 2 up to 3	12¼	12¼	11⅞	13¼	13¼	12⅝
Over 3 up to 4	12	12	11⅞	13	13	12⅝
Over 4 up to 5	11⅞	11⅞	11⅞	12⅞	12⅞	12⅝
Over 5 up to 6	11⅞	11⅞	12	12⅜	12⅜	12½
Over 6 up to 7	11⅞	11⅞	12	12⅜	12⅜	12½
Over 7 up to 8	11⅞	11⅞	12⅛	12⅜	12⅜	12⅝
Over 8 up to 9	11⅞	11⅞	12⅛	12⅜	12⅜	12⅝
Over 9 up to 10	11⅞	12	12	12⅜	12½	12½
Over 10 up to 15	12	12⅛	11¾	12½	12½	12¼
Over 15 up to 25	11⅞	11⅝	11⅜	12⅜	12⅛	11⅞
Over 25	11½	11⅜	11¼	12	11⅞	11¾

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

TECHNOLOGY

Carbon crosses the bridge

CARBON FIBRE cables are replacing the customary cables of steel in a pre-stressed concrete road bridge under construction at BASF's manufacturing site at Ludwigshafen in Germany. The 80-metre bridge, designed to take freight traffic over railway tracks, will be ready for stressing next month, and may be in service by next spring.

The project, funded by BASF at a cost of about DM5m (£1.6m), is seen as the prototype for a suspension bridge across the Rhine at Ludwigshafen, scheduled for completion by 1995. BASF intends to replace at least some of the steel suspension cables with carbon fibre.

Advantages claimed include a savings in weight of 80 per cent, little loss of cable tension in service compared with steel, and high resistance to corrosion. Carbon fibre rope is also very resistant to fatigue.

BASF is collaborating with two Japanese companies, Tokyo Rope and Toho Rayon, to manufacture the cable, for which it sees other uses such as bracing cables for ship superstructures and for high-voltage electricity transmission lines.

It makes cable by soaking bundles of carbon fibre in epoxy resin, and twisting them to a predetermined angle to form a "wire" of circular section 12.5 mm in diameter. Several wires can then be twisted to make the rope.

Early next year, BASF claims, it will have the biggest manufacturing capacity in the world for carbon fibre – 1,350 tonnes a year – when it completes a new 900-tonne plant in South Carolina.

As tendons for reinforcing concrete structures such as the new bridge, carbon fibre ropes have advantages over counterparts made from the Du Pont composite Kevlar, including a higher resistance to alkali attack from the concrete and lower rates of relaxation under strain, says BASF.

High cost is its main drawback. Carbon fibre ropes work out seven times as expensive as the steel ropes BASF replaces, although the company expects the price to fall.

David Fishlock

Lynton McLain looks at the viability of mass producing composites as strong as steel

Challenging the heavies

Lightweight carbon and glass fibre are just two of a number of high-technology composite materials which are threatening the market dominance of traditional metals such as steel, especially for the toughest applications in the car and truck industry and on oil rigs.

But before this family of materials, made of a chemical resin mixture reinforced with fibres, can replace their well-proven rivals on a widespread basis, composite manufacturers need to prove that they can mass produce components which are strong enough to bear the heaviest loads.

Glass fibre reinforced plastic, the most common composite, is already used for car bodies: the Saturn car from General Motors, unveiled yesterday, is one of the first family saloons made largely from plastic.

But one area where steel has held its own is where components bear heavy loads. This is beginning to change too, since manufacturers are showing that certain high-strength components make viable alternatives.

In the oil industry, Shell is designing a rig for the Norwegian Troll field which will make extensive use of structural glass fibre composites, for walkways, handrails and other structures which have to bear heavy weights.

David Young, the managing director of Fibreforce Composites, the Shell subsidiary in the UK which is designing the structures for the rig, says these materials have reached the stage where it is possible to stock a full range of up to 30 different engineering shapes in glass fibre reinforced plastics, "just like a steel stockholder".

He says the US market for structural composites is worth about $400m a year and is growing at 20 per cent a year. In Europe the market is worth about $75m and is growing.

In the car industry the prize for component manufacturers which succeed in implementing speedy production processes for composites is a cut in the cost of components by 30 per cent over traditional steel car parts, says Peter Sheard, the manager of advanced composites at Pera, the research centre at Melton Mowbray.

A struggle has already begun between European manufacturers to find solutions to the problem of mass producing lighter, stronger parts and has even led to a battle in the European Patent Office in Munich.

The dispute is between GKN, the UK engineering company, and BASF, the German chemicals group. They are struggling for rights over patents for the mass production of composite leaf springs – the long, flexible curved shapes that support vehicle axles.

GKN Composites, the subsidiary which makes the leaf springs, claims to be the only volume producer in Europe of these components. It has mastered the art at its factory in Telford, which is more like a textile plant than a car components factory.

The battle between the two companies goes back to a patent filed by GKN in the UK in the early 1980s. When GKN subsequently filed the same patent in the European Patent Office in Munich, BASF opposed it, saying the mass-production process is so general that it should not be deemed subject to a patent.

High strength, structural composites are difficult to mass produce, mainly because of the difficulty of getting enough fibres, which do the reinforcing, into the resin, which holds the fibres together. High pressure is needed to squeeze the resin into densely packed fibres. This can distort the fibres and reduce the strength which the high density was designed to achieve.

Today's low strength automotive applications, such as body panels, have about 30 per cent of their weight in fibres, but for high strength materials the fibre content has to be at least 55 per cent.

The GKN process for making the leaf springs involves the moulding of glass fibre pre-impregnated with resins, under pressure. A continuous sheet of impregnated glass fibre is produced and chopped into lengths for the leaf springs. John Dimmock, the engineering director of GKN Composites in Telford, says 100 or more layers of the paper-thin impregnated fibre sheets are used to make each spring.

BUt this technology for mass producing composite parts could soon be superseded by more efficient processes. Pera has launched a £5m project to demonstrate resin transfer moulding (RTM) techniques for mass production of load bearing car components, and is looking for funding under the European Eureka programme as well as looking for industrial partners in France, Italy and the UK.

In the RTM process the fibre is not pre-impregnated, but inserted during the process when the fibres are bonded together into the component. Sheard says that one aim of the programme is to squeeze more fibres together, to give the necessary strength for use in structural applications. The aim of the Pera project is to demonstrate the manufacture of one component a minute, equivalent to 1m parts a year, the volume demanded by the car components industry.

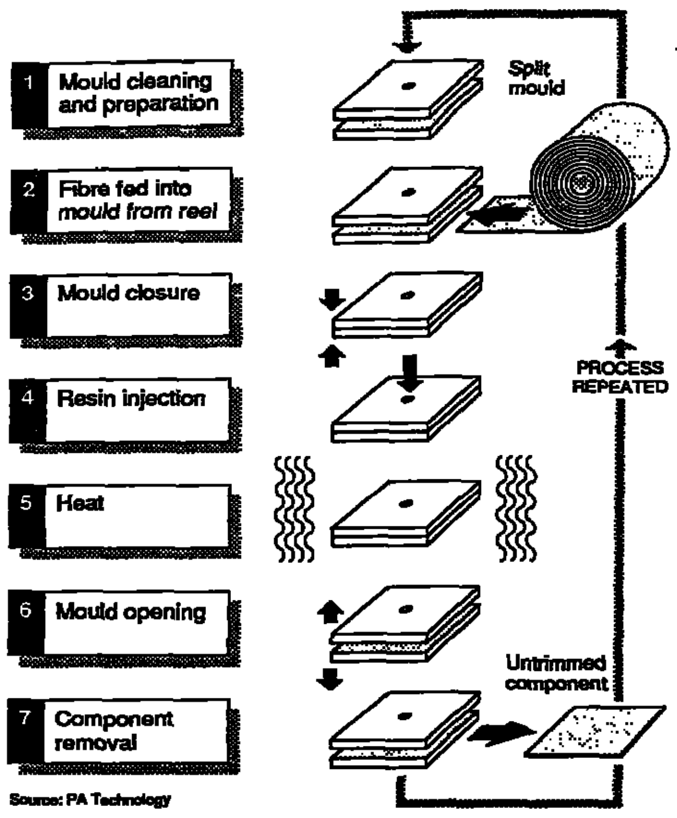
The Ford Motor company has sponsored a project at Nottingham University which aims to transform resin transfer moulding from a low-volume, labour-intensive process into an automated volume-production technique.

Continuity is possible because the raw material for structural components is reels of glass or carbon fibres. Reels of fibres would feed one end of a line and composite parts could be produced continuously at the other end, as is already happening at GKN.

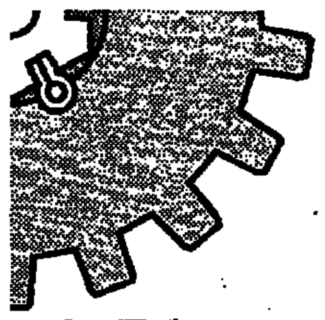
Aside from the leaf spring, one of the few other successful composite weight bearing parts has been the carbon fibre prop shaft from GKN. This is a long rod which takes the engine power to the wheels and requires no support in the middle, unlike steel shafts that are so heavy they need heavy bearings to take their weight.

It is mass produced by GKN's French subsidiary Glaenzer Spicer near Paris and used in the French Renault Espace passenger vehicle.

Resin transfer moulding



Source: PA Technology



WORTH WATCHING

by Della Bradshaw

Memory that is as quick as a flash

THIS week, Intel Corporation introduced a "flash memory card" which can store up to four megabytes of data, or four times the storage capacity of most floppy discs, writes Louise Kehoe.

Intel is promoting the credit-card sized package as a replacement for disc drives in notebook-sized computers.

The lower power consumption of flash memory means that the heavy and bulky nickel cadmium batteries used to power most portable computers would no longer be needed. A notebook-sized computer with a flash memory card would run for about 50 hours on two AA size batteries, Intel says. It should also be possible to build notebook computers weighing just a couple of pounds.

Flash memory is non-volatile, which means that it remembers when the power is turned off. A hidden advantage, that will appeal to frequent fliers, is that flash memory cards can pass safely through airport security X-ray machines.

One catch is the cost. Intel's 4 megabyte card will sell for about $1,200 – nearly 10 times the price of a floppy disk drive. However, prices will come down if flash memory is widely adopted.

East meets West in British sewers

A CHEMICAL technique developed in Hungary is now being put to use in the repair of Britain's crumbling sewers.

The process involves piping two alkaline chemicals down the aging sewer, thereby eliminating the need for digging up the roads.

A solution, comprised largely of sodium silicate, is pumped into the sewer under pressure. It seeps out through the cracks in the piping into the surrounding earth. A pump is used to suck all the remaining chemicals from the pipe back into a tank. The second substance, the formula for which the company is keeping a guarded secret, is then pumped down the pipes where it also seeps through the cracks. Once in contact with the first chemical it reacts to form a concrete-like substance around the outside of the pipe.

The system is being sold in the UK by Sanipor, of Portsmouth, a joint venture between the Hungarian Academy of Sciences and Warings, a UK construction company.

Flying in the face of a computer

IMAGINE sitting in your aeroplane seat and watching a movie or the latest satellite television programme on a flat screen built into the back of the seat in front of you.

Or you could use the screen and accompanying keypad to select items from the duty free selection, tapping in the number of your credit card for payment. Alternatively, you could make a telephone call from the comfort of your own seat.

Such ideas are not mere fantasy. Hughes Aircraft of the US and Sony Trans Com, the US arm of the Japanese electronics company, have got together to develop such a system, which they hope will be used in Airbus' A330 and A340 airliners.

The package will also incorporate ways of performing other tasks – such as calling the stewardess.

Keeping tabs on wandering cows

ELECTRONIC tags that can be implanted in the body of farm animals could be a vital step towards combatting "mad cow disease" (or BSE) and other livestock diseases, writes Gren Manuel.

Because many of today's livestock tags are attached to the ears, which are removed soon after slaughtering, information on the carcass is easily lost. However, an electronic tag implanted in the main carcass, possibly in the skin under the neck, can hold data on the animal from birth until the final stages of slaughtering.

The tag could store the animal's date of birth, ownership and history, giving farmers full feedback if any of their animals are found to be diseased in the abattoir.

Such a system is now being developed by Smart Tag Security and Data Retrieval Systems, of Shropshire, with backing from the British Technology Group. One difficulty, however, lies in implanting the tag – consisting of a silicon chip that can be read by radio and costing perhaps £1 – so that it does not move afterwards and cause harm to the animal.

Sun shines on a cheaper dish

NOBODY doubts the value of solar energy. The only problem is that the equipment needed to harness the sun's power is expensive.

Now a parabolic dish, used to reflect the sun's rays, has been tested which promises to bring down the costs of solar energy. The dish, developed by the Sandia National Laboratories, in Albuquerque, and Solar Kinetics, in Dallas, uses a thin metal membrane in place of the traditional glass mirrors. The membrane is given a curved shape by alternately applying hydraulic pressure and vacuum during the fabrication process.

The membrane is less expensive and weighs less than glass.

Water-skis head for high seas

WATER-skiing is no fun in choppy water, as any amateur sports person knows. So an American company has invented an alternative ski, which resembles a cross between a surfboard, a dining room chair and a miniature hydrofoil, to help overcome the problem.

The airchair, sold by Hot Shot Marine, of London, consists of a compression moulded water-ski, about 12in across and 48in long. Attached to the top is a seat, and to the bottom an aluminium alloy shaft tipped by two hydrofoil blades. As the ski rides through the water it rises up on the blades, reducing the contact between it and the sea.

Contacts: Intel: US, 916 351 2746. Sanipor: UK, 0705 694900. Hughes: US, 714 858 6000. Smart Tag: UK, 0743 891506. Sandia: US 505 844 8066. Hot Shot: UK, 081 531 7819.

GOLD FIELDS COAL LIMITED

(Incorporated in the Republic of South Africa)
(Registration No. 01/01124/06)

ISSUED CAPITAL: 16,862,721 shares of 50 cents each

	Quarter ended 30 September 1990	Quarter ended 30 June 1990	Nine Months ended 30 September 1990
OPERATING RESULTS (TONS 000)			
Coal mined	2,645	2,690	7,768
Coal sold	1,887	2,173	6,088
FINANCIAL RESULTS (R000)			
Sales	56,944	67,154	183,817
Cost of sales	47,687	56,369	154,443
	9,257	10,785	29,374
Sundry revenue – net	809	1,657	4,420
Profit before tax	10,066	12,442	33,794
Tax	5,703	3,405	16,084
PROFIT AFTER TAX	4,363	9,037	17,710
Capital expenditure	2,605	2,130	5,805
Dividend	–	6,745	6,745

NOTES:
(1) Tax In the March 1990 quarterly report it was noted that adjustment had been made in respect of the proposal in the Budget to treat consumable stores as stock for tax purposes. In terms of the 1990 Income Tax Act now promulgated, however, this adjustment is not required until the 1991 financial year and the tax has been calculated accordingly.
(2) Capital Expenditure The unexpended balance of authorised capital expenditure at 30 September 1990 was R7.3 million.
(3) Dividend A dividend (No.154) of 40 cents per share declared on 21 June 1990 was paid to members on 8 August 1990.

On behalf of the Board
J G Hopwood, C T Fenton } Directors

11 October 1990

A MEMBER OF THE GOLD FIELDS GROUP

NORTHAM PLATINUM LIMITED

(Incorporated in the Republic of South Africa)
(Registration No. 77/03282/06)

ISSUED CAPITAL: 57,600,000 shares of 1 cent each, fully paid

	Quarter ended 30 September 1990	Quarter ended 30 June 1990
Pre-production Mine Development Expenditure (R000)		
Capital expenditure	67,230	106,144
Net income after tax	11,929	3,344
	55,301	102,800

All income and expenditure has been capitalised as pre-production mine development expenditure.

(1) Capital Expenditure The unexpended balance of authorised capital expenditure at 30 September 1990 was R550.3 million.
(2) Shafts
Zondereinde – No. 1 Shaft-Z The cutting of the 10 Level station and associated development was completed. The shaft was then sunk 87 metres to 11 Level which is at a depth of 1,920 metres below collar.
Zondereinde – No. 2 Shaft-Z The development of haulages to reef on 3, 4, 5, 6 and 7 Levels was commenced.
(3) Metallurgical Plant The construction of the concentrator, smelter and base metal removal plant is continuing.

On behalf of the Board
A J Wright, J G Hopwood } Directors

11 October 1990

A MEMBER OF THE GOLD FIELDS GROUP

Weekend FT

What is the FT getting up to this Weekend?

■ The Sevso plate: one of the finest Roman treasures ever to have been recovered. But where did it, and other recent "finds", come from? Anthony Thorncroft reports on the authorities' attempts to find an answer.

■ Your Money, the EMS and the markets: Barry Riley assesses the longer term effects of Britain's full entry into the European Monetary System. Plus answers to some of the questions investors are now asking:

Is this the time to take out a foreign currency mortgage?
Should share portfolios be shifted towards Europe?
How should savers respond?
Will the housing market start to move again?

■ Wartime resistance and Churchill's secret agenda: Anthony Verrier describes his researches into the tangled motives which shaped the great British leader's policies towards European resistance movements, sometimes with unhappy results.

■ Food: Nicholas Lander on the chef who cooked up a tasty financial deal. Philippa Davenport and Giles MacDonogh feast on mushrooms

■ Travel: a two-page focus on taking a cruise

■ Sport: Michael Thompson-Noel on the fantasies and bogus values that undermine British racing. Television rights and big time sport — report by Peter Berlin

■ Gardening: Robin Lane Fox described the grand history and the elegant beauties of a great garden near Lucca in Italy

■ How to spend it: Lucia van der Post on why some men smell more attractive than others

■ Books: William St Clair on Isaiah Berlin's writings, Malcolm Rutherford on the Howard biography of Richard Crossman

Mining companies to set up environment council

By Kenneth Gooding, Mining Correspondent

SOME OF the world's biggest mining and metals companies yesterday agreed to set up a new organisation through which the industry will respond internationally to the growing pressures it faces on matters relating to health and safety and the environment.

Among the companies initially involved in the so-called International Council on Metals and the Environment are the RTZ Corporation of the UK, the Anglo American Corporation of South Africa, Western Mining of Australia, Noranda of Canada, Mitsubishi Metal Corporation of Japan, Industrias Peñoles of Mexico and Asarco of the US.

It is the first time in its long history that the mining industry has felt the need to respond on an international rather than on a country-by-country basis to environmental pressures.

The initiative came from the Mining Association of Canada whose president, Mr Keith Hendrick, was appointed chairman of the new body's organising committee.

Mr Hendrick, who is also president of Noranda Minerals, said the industry faced similar challenges on health, safety and environmental matters wherever it operated in the world, and the new council would alert mining and metals companies to developments. In particular, the industry must ensure it faced a reasonable legislative environment wherever it operated or it would not survive in anything like its current shape, he added.

The industry also wanted to do more than simply react to ever-growing environmental problems and the council would take the initiative to develop industry positions and "to promote the safe production, use, recycling and disposal of metals."

Mr Hendrick said it was envisaged that the council would have a small, permanent secretariat. The organising committee would develop its structure and an "action plan" over the next few months, probably by February or March.

Other companies supporting the new council, and whose representatives met in London at the end of "metals week", include: Inco, the Teck Corporation, Cominco and Falconbridge of Canada; Freeport-McMoRan, Kennecott and Doe Run of the US; MIM and Pasminco of Australia; Nippon Mining of Japan; and from Europe, Acec-Union Minière (Belgium), Eramet-Societé le Nickel (France), and Metaleurop (France-Germany).

UK farming 'in parlous state'

By David Blackwell

FARMING IN the UK had reached "a very parlous state" as it plunged deeper and deeper into the red, Sir Simon Gourlay, the president of the National Farmers' Union, said yesterday.

"Farmers are already suffering from crippling UK inflation and interest rates, as well as problems affecting the whole of EC agriculture," Sir Simon told the 100-member NFU council. "These pressures are driving us into a recession which threatens thousands of family farms and the jobs of thousands of workers, with potentially devastating consequences for the rural economy and the upkeep of the countryside."

The NFU estimates that there has already been a 5 per cent decline in the last five years in the number of what it calls professional farmers, who produce 98 per cent of the UK's food. Mr Sean Rickard, the union's chief economist, said yesterday that an estimated 50,000 of the present 140,000 would go out of business, spread over a number of years, if current policies continued.

Later this month the NFU is staging a mass meeting at Central Hall Westminster as the start of a campaign to win public understanding and backing in both Westminster and Brussels. Sir Simon will also be holding at least one meeting with Mr John Gummer, the agriculture minister, before meeting the Prime Minister to put his case.

Leaving the market to sort out farming would not work, Sir Simon said. "We have to convince Mrs Thatcher she has to throw away some of her ideological commitment to pure market forces."

Sir Simon was convinced that the Gatt talks on farm trade would end with a settlement along the lines of the proposed 30 per cent cut in support between 1986 and 1995. "If the final settlement is around the 30 per cent cut in support that we must anticipate, and given that UK agriculture is already in deep recession, we have to press urgently for changes in farm policy to avert the potential damage to the farm industry, the rural economy and the appearance of the countryside."

Over the past decade, Sir Simon said, retail price inflation had risen by 106 per cent; the retail food price index by 71 per cent; farm gate prices by 46 per cent; British Rail fares 142 per cent; and water charges by 162 per cent. "Who has got the best record of contributing to fight inflation?" he asked.

Bulgarians threaten to burn tobacco

By Ventseslav Tsolov in Sofia

BULGARIAN TOBACCO growers have warned the government that this year's crop could go up in smoke prematurely if their demands for higher prices are not met. They will not sell to the state at the planned price levels, the Federation of Independent Agricultural Trades Unions told officials at a meeting this week; and Duma, the socialist daily, has reported that planters would burn the tobacco rather than sell it dirt cheap.

Representatives of some 300,000 tobacco growers came to Sofia for talks with the state company Bulgartabac and the ministry of agriculture, food, wine and tobacco industries. But state officials refused to take part in any discussions on the basis of the planters' proposal for a price rise of 2 levs (37p) a kilogram.

State officials insisted that would be excessive, but the peasants stood their ground and said the increase was vital; state price proposals would not give growers even the minimum Bulgarian income, they claimed.

After a fiery debate planters proposed a special commission to work out in 10 days a mutually acceptable deal. Meanwhile Flatuc called for a boycott of sales to Bulgartabac.

According to the ministry of foreign trade, failure to settle the dispute would result in Bulgartabac, the monopoly exporter, and Bulgaria as a whole facing heavy losses on world market sales. And a senior foreign trade official warned that planters' demands might push up world tobacco prices and unbalance the market.

Bulgaria is a major league tobacco exporter. Its growths are added to practically all blends of pipe and cigarette tobacco because of their famous taste and aroma.

UK gives EC farmers unexpected cash fillip

By Tim Dickson in Brussels

IT IS unlikely that Mrs Thatcher, the British prime minister, or Mr John Major, the chancellor of the exchequer, intended it, but sterling's entry into the Exchange Rate Mechanism of the European Monetary System this week has provided a modest boost to the incomes of many continental European farmers.

The half per cent increase in many EC prices will not ease the anxiety of small producers alarmed at developments in the international trade talks known as the Uruguay Round – but for large producers in particular the bonus is not to be sniffed at.

The explanation can be found in the way that the value of the pound sterling has appreciated since the modest EMS realignment in January involving the Italian Lira. Its arrival inside the mechanism at a level of DM2.95 has not only led to its own revaluation against the central ecu – the basket of EMS currencies – but has automatically forced a devaluation against the ecu of all the other currencies in the system.

This immediately opened up so called "negative monetary gaps" of 0.56 per cent for the narrow band EMS currencies – including the D Mark and the Dutch Guilder for products other than cereals. Students of agri-monetary matters were pointing out last night that this was the first time since the system was introduced in 1969 that these two "hard" currencies had been in such a position.

The devaluations were not big enough to create any new monetary compensatory amounts (MCAs), the taxes and subsidies designed to even out the impact of currency fluctuations on intra EC trade. But under the rules of the agri-monetary regime small "gaps" have to be dismantled at the first EC management committee after a realignment – an objective which was achieved this week by devaluing individual green currencies by the same amount (green currencies translate common ecu-denominated prices into national money).

The result is a half percentage point increase in prices in all the "narrow band" EMS countries. German and Dutch cereals producers are not affected.

Ironically British farmers – whose Government started it all – get no change in the green pound. With sterling nudging the top of the permitted EMS band it is actually possible that the UK could find itself in the unfamiliar position of having positive MCAs.

Japan worried about metals supply

By Kenneth Gooding

JAPAN IS very worried that the world will soon run short of base metals. So its Ministry of International Trade and Industry has started a determined campaign to encourage Japanese companies to become even more aggressive in their world-wide search for these vital raw materials.

Among other things, Miti is asking the Japanese government to change its own rules so that much more state cash can be put behind very high-risk exploration ventures carried out by private-sector companies.

The Japanese government already offers exploration loans for a few strategic metals. These do not have to be repaid unless a viable deposit is found. Miti wants this scheme to be extended to a wider range of metals, particularly to copper and zinc.

The ministry is also calling for a revival of exploration and mining in Japan itself. Since 1970 the domestic industry has faded from one with 246 mines employing about 34,000 workers to one with only four large-scale mines and 22 very small ones and fewer than 2,500 employees.

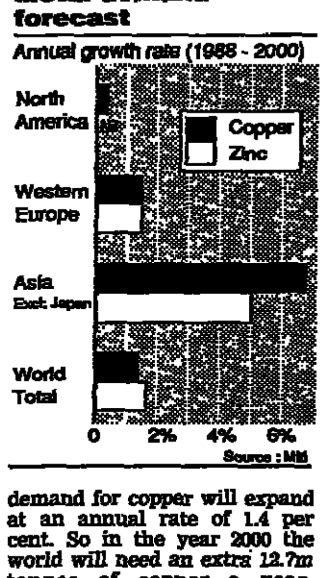
With so few developed natural resources of its own, Japan has been obsessed for many years with the idea that it might one day run out of some strategic necessity.

A recent review of the world's base metals supply, commissioned by Miti, shows why these fears are as strong as ever.

It predicts, for example, that demand for copper will expand at an annual rate of 1.4 per cent. So in the year 2000 the world will need an extra 12.7m tonnes of copper a year, compared with 1988 output. That indicates a need in the next ten years for nine new copper mines as big as the largest in the world, including Chuquicamata and El Teniente in Chile.

Metal demand forecast

Annual growth rate (1988 - 2000)



Source : Miti

As for zinc, demand growth is forecast to be 1.7 per cent a year and to represent by the year 2000 an extra annual output of 8.7m tonnes. Again, this is equivalent to nine new mines as big as the biggest in operation today.

But this tells only part of the story because a massive swing of demand to the countries on Japan's doorstep is also predicted.

The Miti review suggests that demand for copper in the Asian region, excluding Japan, is likely to be 51 per cent higher in the year 2000 than in 1988 while demand for zinc is predicted to rise by 39 per cent in the same period. If that turns out to be the case, Asia will need 1m more tonnes of copper a year than it did in 1988 and 500,000 tonnes more zinc. It will therefore become one of the world's major metal importing regions.

The Japanese ministry is particularly concerned about ore supply after the virtual stand-still in base metals exploration during the recession in the mining industry in the 1980s, a time when three out of every four of the western world's exploration dollars went on the search for gold.

The review suggests that exploration risks will increase and returns fall as ore deposits are found at deeper and less accessible locations. It also suggests "the resource problem could become serious" because of the low level of exploration expenditure world-wide; the geographical uneven spending of that expenditure; environmental problems; and the concentration of the mining industry into fewer groupings.

The review was completed before the Gulf crisis blew up but Miti remains of the view that urgent steps are needed. This was made clear by Mr Masahiko Saito, the ministry's deputy director, at a seminar organised by the government-financed Metal Mining Agency of Japan in London this week.

He revealed that Japan's budget for "mining policy" in the 1990 financial year was Y8.7bn (about US$67m). Of that, Y2.23bn is earmarked for domestic exploration and Y3bn for technical co-operation with 20 developing countries. "It is necessary to encourage private companies to explore overseas and support overseas development," insisted Mr Saito.

But in this endeavour, "co-operation with American and European enterprises – with leading mine prospectors – is essential."

To this end, and to collect more data, the Metal Mining Agency, the operations of which are included in MITI's budget, has set up 12 offices world-wide. And Miti has set up a study group to look at the potential for international co-operation.

Miti's concern does not seem to extend to metal processing as Mr Saito suggested that world smelting capacity is expected to expand to cope with increased world demand.

However, it does show some concern about the ability of the world's sole viable base metal terminal market – the London Metal Exchange – to cope with the expected massive switch of demand to Asia takes place. That is why Miti is also currently considering whether it should put its considerable political weight behind the establishment of a Japanese metal exchange to co-operate, or perhaps to compete, with the LME.

Mexico woos mining investors

New rules are designed to attract foreign money, says Richard Johns

THE MEXICAN government is expecting a significant boost to foreign investment in the country's mining industry, as well as a considerable stimulus to small and medium-sized national companies, as a result of more liberal regulations announced here late last month.

Foreign companies will be able to exploit properties on the basis of 100 per cent ownership under a "fideocomisio", or trust, system for a 12-year period – whereafter a majority holding must be sold to Mexican partners directly or in the form of shares on the Bolsa, the Mexican stock exchange. Previously, participation has been limited to only 49 per cent though for a 20-year period.

Exploration concessions are to have a three-year duration and will be renewable. Processing of applications, which could take up to five years, would be cut to less than one year, according to Mr Alfredo Elias Ayub, under-secretary at the Ministry of Energy, Mines and Parastatals (Semip).

He says that mining laws are "emotive" anywhere in the world in an implicit acknowledgement of deeply rooted national sensitivities about the exploitation of Mexico's natural resources.

Nevertheless, the revision of regulations is seen here as an earnest commitment by the present administration to increase mining's contribution to economic growth.

Sulphur, phosphate rock and potassium have been opened to the private sector and foreign investment on a 100 per cent basis with payments to the Government of royalties and corporation tax on profits (currently 36 per cent) under concessionary arrangements of 25 years duration.

Private sector involvement in the development of these three mineral deposits classed by Mexico's infinitely flexible constitution as "strategic" was formerly limited to 34 per cent. Uranium mining will remain the exclusive prerogative of the state together with oil and gas production, the great sacred white cows of the public sector.

Revision of the regulations opens up the possibility that Azufera and Roco Fosforica Mexicana, two major producers (of sulphur and rock phosphates respectively), will be offered for privatisation.

In general, the changes have been welcomed by the Mexican industry, at least. Only 20 per cent of the country has been properly explored, according to Semip's latest estimates.

The state-owned banks Nafinsa and Banco Nacionale de Comercio Exterior (Bancomext) have set aside US$500m for mining development programmes, says Mr Elias.

"For the first time the Government has given its blessing to the industry and said that we want a market in mining claims", commented Mr Jorge Ordonez, a distinguished geologist who is a shareholder and adviser to Real del Monte y Pachuca, an historic silver mine in Hidalgo privatised earlier this year.

Mr Ordonez, whose grandfather discovered oil for Wheetman Pearson, later to be ennobled as Lord Cowdray, emphasised that the revisions would make it possible for small and medium-sized companies, on a minority basis, to enter into joint ventures with large foreign companies as well as giving them greater access to external financing.

In line with the deregulation policy of President Carlos Salinas de Gortari's Administration, the Mexican Government is also progressively reducing the acreage reserved to the state from 5m hectares to 2m.

Investment in mining fell from about $500m in 1980 to $100m in 1987. Mr Elias said that so far this year it had totalled $280m. By 1994 it is expected to reach USD 700-800m. Total investment in mining development over the period 1990-94 is expected to reach the $2.1bn projected in the administration's mining development plan – with almost all of the money expected to come from the private sector.

WORLD COMMODITIES PRICES

MARKET REPORT

Silver was again marked sharply down on the London bullion market; platinum tumbled by more than $20 a fine ounce while gold closed steady. Silver touched a low of 424 cents an ounce during the day while platinum touched $405 before recovering to close at $418.75. Both metals are now seen as industrial. They are used widely in the photographic and motor industries and are vulnerable to any economic slowdown. Persistent declines throughout the day triggered stop-loss selling and long liquidation, dealers said. Gold at one stage touched a low just below $385, then edged back up on short covering. Silver futures on Comex were in retreat by midday, while palladium futures on Nymex traded at the lowest levels for five years. On the LME nickel's downturn gathered momentum in the morning on European merchant and speculative selling. Prices closed off the lows, however, with three-month metal failing to breach the $8,700 to $8,800-a-tonne support level. Speculative selling and liquidation also pushed down aluminium; the fall was aided by a lack of significant Japanese buying after their holiday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$36.25-5.40y	+0.25
Brent Blend (dated)	$40.85-0.95	+0.16
Brent Blend (November)	$40.25-0.40	+.225
W.T.I. (1 pm est)	$40.44-0.47	+0.67
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$426-428	+1
Gas Oil	$354-355	+9
Heavy Fuel Oil	$147-149	-2.5
Naphtha	$394-397	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$389.75	-1.5
Silver (per troy oz)♣	431c	-23
Platinum (per troy oz)	$418.75	-23.50
Palladium (per troy oz)	$94.75	-5.0
Aluminium (free market)	$2025	
Copper (US Producer)	134½c	+¼
Lead (US Producer)	51c	+1
Nickel (free market)	436c	
Tin (Kuala Lumpur market)	16.05r	+0.05
Tin (New York)	281c	
Zinc (US Prime Western)	73c	
Cattle (live weight)†	101.57p	+0.36*
Sheep (dead weight)†	131.71p	+6.67*
Pigs (live weight)†	76.10p	+1.62*
London daily sugar (raw)	$262.0w	+3.2
London daily sugar (white)	$308.0w	+1.0
Tate and Lyle export price	£241.5	+1.5
Barley (English feed)	£116	
Maize (US No. 3 yellow)	£158	-0.5
Wheat (US Dark Northern)	£90	
Rubber (Nov)♥	50.75p	
Rubber (Dec)♥	50.75p	
Rubber (KL RSS No 1 Nov)	238.5m	
Coconut oil (Philippines)§	$297.5q	
Palm Oil (Malaysian)§	$287.5y	
Copra (Philippines)§	$195t	+5
Soyabeans (US)	£143	-2
Cotton "A" index	81.45c	-0.15
Woltops (64s Super)	416p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct/Nov z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	221.00	226.00	227.00	222.00
Mar	219.40	224.60	224.60	217.00
May	220.60	225.00	225.20	218.40
Aug	222.00		226.00	221.00
Oct	221.40		221.00	221.00
Dec	222.00	226.00	220.00	
Mar	223.00	229.00	223.00	
White	**Close**	**Previous**	**High/Low**	
Dec	300.7	301.5	301.5	297.9
Mar	297.5	299.5	300.0	294.2
May	298.0	299.5	300.0	298.5
Aug	305.0	306.0	302.9	
Oct	298.0		298.4	
Mar	299.5	300.0	298.0	

Turnover: Raw 1068 (1014) lots of 50 tonnes. White 661 (1401)
Paris- White (FFr per tonne): Dec 1516 Mar 1530, May 1520, Aug 1560, Oct 1520

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Nov	40.00	38.94	40.30	39.40
Dec	37.90	38.79	38.20	37.35
Jan	36.00	36.10	36.40	35.80
Feb	34.75	33.48	34.75	34.40
IPE Index	38.10	39.89		

Turnover: 15759 (16630)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low	
Oct	347.75	334.00	350.00	342.75
Nov	341.50	335.00	343.00	336.25
Dec	332.50	326.00	334.00	327.50
Jan	318.00	314.00	321.00	316.00
Feb	302.50	300.00	305.00	300.00
Mar	285.00	277.50	286.00	282.00
Apr	264.00	268.00	264.00	
May	265.00	270.00	265.00	
Jun	263.00	262.50	266.00	263.00

Turnover 20342 (17961)lots of 100 tonnes

FRUIT AND VEGETABLES

Kiwifruit is this week's best buy at 18-25p each for the larger fruits and 12-16p each for the small sizes (16-25p), reports FFVIB. Italian Italia grapes at 80-90p a lb (80-90p) remain good value for money, lemons at 8-20p each (8-20p), pink grapefruit at 35-50p each (35-50p) and Conference pears at 40-55p a lb are all excellent fruit buys. Carrots remain at a stable price of 20-30p a lb (20-30p), as do English onions at 12-20p a lb (12-20p). Tomatoes 45-75 a lb (45-75p) are abundant, along with celery at 35-45p a head (35-45p), Chinese leaves at 65p-£1.20 a head (65p-£1.20) and Spring onions at 25-35p a bunch (25-35p).

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Dec	679	674	680	668
Mar	722	712	723	710
May	745	736	744	733
Jul	765	760	764	756
Sep	787	779	787	779
Dec	816	807	815	808
Mar	843	835	844	835

Turnover: 4173 (4291) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 10 916.66 (946.92) 10 day average for Oct 11 936.71 (968.56)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low	
Nov	592	602	600	585
Jan	605	614	611	600
Mar	598	608	605	595
May	600	614	609	600
Jul	614	627	621	613
Sep	629	640	634	628

Turnover: 5700 (4230) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 10: Comp. daily 74.53 (75.42). 15 day average 74.39 (74.44)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low	
Nov	83.0	79.0	78.2	
Apr	146.9	150.3	149.5	146.0
May	165.5	169.0	164.5	

Turnover 273 (459) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Dec	114.00	116.00	114.00

Turnover 10 (0) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low	
Oct	1245	1236	1255	1240
Nov	1310	1295	1316	1310
Jan	1314	1300	1316	1300
Apr	1295	1293	1305	1295
BFI	1191	1183		

Turnover 274 (179)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	113.85	114.05	114.10	113.85
Jan	117.85	118.00	118.10	117.90
Mar	121.45		121.65	121.45
May	125.00	125.00	125.00	
Jun	126.40		126.40	
Barley	**Close**	**Previous**	**High/Low**	
Nov	112.20	112.20	112.30	
Jan	116.30	115.90	116.40	116.30

Turnover: Wheat 171 (59), Barley 30 (86).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	99.5		99.5
Nov	98.5	99.5	98.0

Turnover 25 (5) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 1,103 lots
Cash	1930-40	2005-10	1955	1950-5		
3 months	1804-5	1855-60	1860/1795	1816-7	1806-6	75,626 lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,692 lots
Cash	1428-33	1446-8	1462	1461-2		
3 months	1363-4	1371-2	1383/1363	1380-1	1367-8	114,423 lots
Lead (£ per tonne)						Total daily turnover 3,254 lots
Cash	406-8	395-7	404	405-6		
3 months	392-3	390-1	395/392	392.5-3.5	393-5	11,053 lots
Nickel ($ per tonne)						Total daily turnover 2,539 lots
Cash	9000-50	9450-500	9000	8975-9025		
3 months	8700-10	9075-100	9075/8675	8710-25	8680-75	8,617 lots
Tin ($ per tonne)						Total daily turnover 1,542 lots
Cash	6150-60	6030-50		6070-80		
3 months	6195-200	6090-100	6220/6120	6125-30	6200-20	8,385 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,773 lots
Cash	1375-9	1359-61	1370/1369	1369-70		
3 months	1380-2	1350-1	1380/1335	1355-7	1357-60	20,100 lots

LME Closing £/$ rate: SPOT: 1.9640 3 months: 1.9388 6 months: 1.9155 9 months: 1.8970

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	389½-390	198-198½
Opening	389¼-389¾	197½-198
Morning fix	389.60	197.957
Afternoon fix	388.00	197.568
Day's high	390¼-390¾	
Day's low	384¼-384¾	

Coins	$ price	£ equivalent
Mapleleaf	399-404	203-206
Britannia	399-404	203-206
US Eagle	399-404	203-206
Angel	399-404	203-206
Krugerrand	389-392	198-200
New Sov.	93-95	47¼-48¼
Old Sov.	93-95	47¼-48¼
Noble Plat	423.75-430.50	216.20-219.65

Silver fix	p/fine oz	US cts equiv
Spot	223.00	436.50
3 months	230.70	447.65
6 months	237.70	456.25
12 months	251.35	474.05

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
550	42	65	1	10
600	7	33	16	28
650	0	15	59	60
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	47	99	18	27
700	22	69	43	47
750	9	48	80	76

Brent Crude	Nov	Dec	Nov	Dec
3800		410		410
3850				
3900		380		475

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	389.7	388.1	391.0	385.0
Nov	391.5	390.0	0	0
Dec	393.6	392.2	395.5	392.5
Feb	397.8	396.4	399.3	392.0
Apr	401.8	400.4	403.5	396.0
Jun	406.1	404.7	406.0	400.2
Aug	410.1	408.7	0	0
Oct	414.4	412.9	408.9	408.4
Dec	418.8	417.3	419.7	413.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	417.0	432.1	418.0	418.0
Jan	420.1	437.1	424.0	414.0
Apr	425.2	442.5	429.0	420.0
Jul	430.2	447.5	432.5	429.0
Oct	435.5	452.9	436.0	436.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	423.6	440.9	434.5	423.0
Nov	424.7	442.3	0	0
Dec	428.5	446.2	442.5	426.0
Jan	430.5	448.2	440.5	432.0
Mar	438.0	455.8	452.5	436.0
May	444.3	462.2	456.5	443.0
Jul	450.8	468.8	465.0	451.5
Sep	457.6	475.8	465.0	457.0
Dec	467.1	485.5	480.5	467.0
Jan	470.1	488.7	483.7	478.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	126.65	130.00	130.00	126.60
Nov	121.75	125.35	123.10	121.80
Dec	116.75	119.85	119.00	115.50
Jan	113.60	116.50	116.40	114.30
Mar	109.85	112.25	112.00	110.00
Apr	108.85	110.95	110.95	108.50
May	107.50	109.55	108.50	106.00
Jun	106.55	108.45	0	0
Jul	105.60	107.35	106.90	106.15
Aug	104.35	106.05	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	40.25	38.68	40.70	39.25
Apr	32.90	31.88	33.05	32.30
May	31.80	30.73	31.85	31.25

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	9900	9600	0	9600
Apr	8895	8710	8920	8895
May	8550	8365	8625	8560
Jun	8300	8190	8400	8300
Jul	8200	8100	8300	8131
Aug	8265	8150	8300	8250

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1203	1202	1221	1198
Mar	1257	1256	1274	1255
May	1292	1290	1308	1290
Jul	1332	1327	1338	1331
Sep	1360	1354	1360	1360
Dec	1395	1385	1404	1400
Mar	1430	1410	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	91.55	91.25	91.75	90.55
Mar	95.35	95.00	95.40	94.05
May	97.85	97.40	97.85	96.40
Jul	99.75	99.65	99.75	98.50
Sep	101.30	101.00	101.40	100.50
Dec	105.00	104.00	0	0
Mar	106.75	106.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.81	9.99	10.05	9.66
May	9.86	10.02	10.04	9.75
Jul	9.85	10.02	10.03	9.75
Oct	9.85	10.06	10.06	9.77
Mar	9.83	10.12	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	73.29	73.21	73.48	73.10
Mar	73.80	73.83	74.08	73.67
May	74.18	74.00	74.30	74.00
Jul	74.37	74.15	74.60	74.25
Oct	69.30	69.25	69.20	69.20
Dec	67.85	67.65	68.00	67.85
Mar	68.50	69.25	68.50	68.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	129.90	132.45	131.50	129.80
Jan	129.75	132.00	131.50	129.55
Mar	131.45	132.75	132.40	131.10
May	131.90	132.75	132.25	131.50
Jul	131.90	132.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 11	Oct 10	mnth ago	yr ago
1743.1	1742.6	1824.6	1872.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 10	Oct 9	mnth ago	yr ago
Spot	128.66	128.91	130.33	128.13
Futures	129.91	130.60	133.25	129.25

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	620/4	625/0	626/6	620/0
Jan	635/4	639/6	641/2	635/0
Mar	647/6	651/4	653/4	647/0
May	657/6	661/2	663/2	657/4
Jul	665/6	668/6	670/6	665/4
Aug	660/0	662/0	664/0	660/0
Sep	635/0	630/0	640/0	635/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	22.10	22.14	22.28	22.02
Dec	22.39	22.38	22.61	22.36
Jan	22.65	22.66	22.86	22.62
Mar	23.08	23.05	23.27	23.06
May	23.45	23.40	23.50	23.43
Jul	23.67	23.60	23.77	23.60
Aug	23.55	23.60	23.75	23.55
Sep	23.47	23.45	23.60	23.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	184.6	187.8	187.5	184.5
Dec	188.6	191.6	191.7	188.5
Jan	190.6	192.8	193.0	190.5
Mar	192.8	195.1	195.0	192.7
May	193.2	195.4	196.0	193.0
Jul	193.6	195.6	195.9	193.5
Aug	192.8	193.0	0	0
Sep	188.5	187.5	189.5	188.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	232/6	235/4	235/2	232/4
Mar	241/6	244/6	244/2	241/4
May	247/4	250/0	249/4	247/0
Jul	251/2	253/6	253/0	250/4
Sep	247/4	250/6	250/2	247/4
Dec	249/2	253/4	252/4	249/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	271/2	276/2	275/4	269/4
Mar	285/4	290/2	289/4	283/4
May	292/6	296/4	296/0	291/0
Jul	297/0	300/0	299/2	295/0
Sep	301/4	304/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	78.52	79.20	79.05	78.50
Dec	75.22	75.87	76.05	75.12
Feb	73.57	74.07	74.10	73.47
Apr	74.85	75.07	75.12	74.65
Jun	72.50	72.70	72.77	72.40
Aug	70.75	71.07	71.17	70.75

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	56.52	56.57	56.85	56.15
Dec	54.10	54.27	54.55	53.75
Feb	51.60	51.32	51.95	51.20
Apr	48.22	47.97	48.45	47.90
Jun	51.95	51.75	52.20	51.90
Jul	52.40	52.15	52.40	0
Aug	50.85	50.40	50.85	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	64.40	63.40	64.72	63.30
Mar	64.32	63.07	64.40	63.10
May	64.15	63.15	64.25	62.95
Jul	63.05	62.00	63.60	62.40
Aug	62.80	61.80	62.80	61.00

FINANCIAL TIMES SURVEY

NORTH OF ENGLAND

Friday October 12 1990

Wholesale change in the North's economic base has meant that recession has not yet affected a part of Britain which always used to be one of the most vulnerable. But can this last? **Ian Hamilton Fazey,** Northern Correspondent, reports from a worried region

Severe test lies ahead

JUST AS it was emerging from the painful process of successfully restructuring its economy, the first signs of recession are appearing in the north of England. How it will cope will severely test a transformation it is still trying to complete.

The "North", in this instance, is the government's "standard" economic region of north-east England and Cumbria. With only 5 per cent of UK gross domestic product, it has always been peripheral to the bigger and more buoyant economies of Yorkshire and Humberside and the north-west, so it has always been more vulnerable to national economic downturn.

Before, it would have been in deep trouble by now. The old north was dominated by coal, steel, heavy engineering, chemicals and shipbuilding. Many factories were subsidiaries of large companies: local day-to-day management was subject to strategic control from headquarters far away.

The prevailing industrial culture was of big employers with big payrolls. Successive generations worked in the same industries; people grew used to work being provided for them; the atmosphere was generally anti-entrepreneurial.

If the national economy faltered, effect on demand impacted locally. If cost savings could be achieved by closing down a northern branch factory, they were.

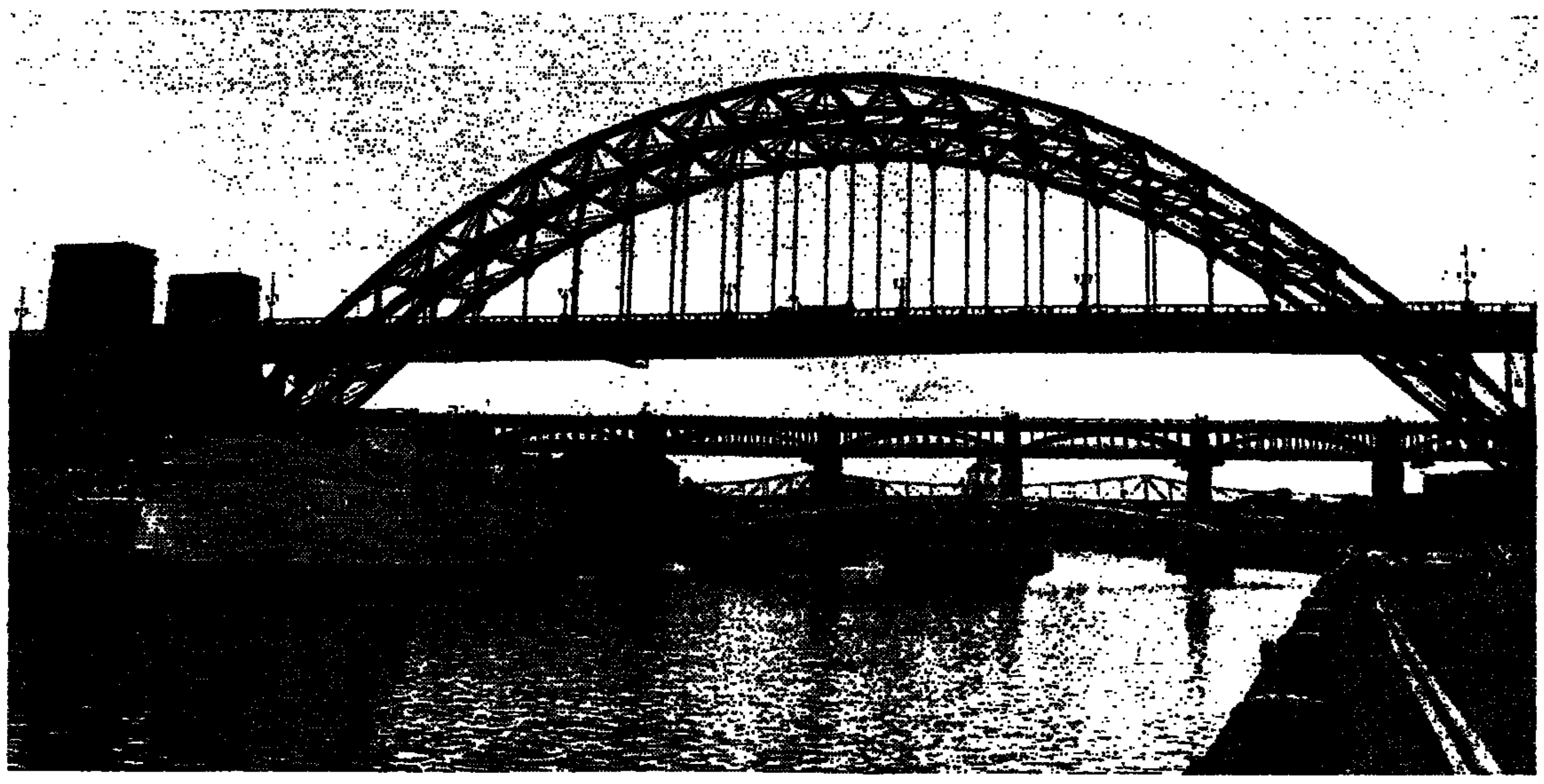
So, 10 years ago, the north-east suffered badly in the recession. Unemployment on Tyneside, Wearside and Teesside rose past 20 per cent overall, with tens of thousands on the dole.

National overcapacity had to be reduced in several basic industries. Steel was first, with closures at Consett in County Durham, Workington in Cumbria and Hartlepool on Teesside which all but wrecked these towns' economies.

Rationalisation of the coal industry has been such that the unknowing casual visitor today would never suspect that County Durham once contained one of the most prolific coalfields in the world. General shipbuilding withered and finally died at the end of 1988 in Sunderland.

The scale of the change is summed up by Mr Neil Etherington, assistant regional director of the Confederation of British Industry. He says: "In 1975, one-third of the workforce were employed in steel, coal or shipbuilding. In 1990, the figure is under 3 per cent."

Fortunately, by no means everything was wiped out. Large employers remained, such as the Vaux brewing and hotels group in Sunderland, Northern Engineering Industries and Procter and Gamble on Tyneside, Imperial Chemicals Industries on Teesside, and Swan Hunter, the warship builder, at Wallsend on the Tyne.



Ian Hamilton Fazey

The Tyne Bridges, Newcastle: how will recession affect the transformation which is taking place in the North?

Some, like Vaux and Swan Hunter, have emerged strengthened, as highly successful companies. Even though some have continued to rationalise, they remain part of the industrial bedrock, creating jobs among suppliers. Moreover, because they have to live and prosper in the region, many have taken a leading role in a host of initiatives such as science parks, retraining programmes, venture capital funds and enterprise agencies.

At the same time, British Steel (Industry) poured help into Consett, Hartlepool and Cumbria with a mixture of venture capital, secured, unsecured and soft loans, and managed workshops. It has also backed enterprise agencies throughout the north, ensuring that potential entrepreneurs have access to advice as well as working capital.

Mr Laurie Haveron, the regional head, puts the investment at £3.8m in ten years involving 490 projects with fledgling and expanding companies. Another £1m has gone into the enterprise agencies.

But even with British Coal Enterprise now providing more of the same in coal closure areas, and every local authority offering financial help, training or subsidised accommodation, the strategic problem of losing entire industries from the old economic infrastructure remains.

But in 1984 the north-east won Nissan. Motor manufacturing, a new industry for the region, was added to the infrastructure. Suppliers of components, goods and services and a stream of Japanese companies followed in Nissan's train.

Mr Peter Carr, now chairman of County Durham Development Company but at the time a senior civil servant, says: "The psychological importance of Nissan cannot be overestimated. Everyone sank their differences and worked for the common good. Afterwards, we analysed what we had done right. It was from this that the Northern Development Company (NDC) was eventually born."

The NDC, which is supported by all local authorities and several hundred companies in the private sector, is now England's model agency for winning inward investment from abroad or elsewhere in the UK.

Fujitsu last year decided to set up its main European microchip factory in County Durham, bringing Japanese investment in the north-east now to more than £1bn. Crucially for economic restructuring, it secured the position of electronics in the region's new industrial mix.

The other significant step in promoting change, however, was the designation in 1987 by the government of two urban development corporations, one for Tyne and Wear and the other for Teesside.

On Teesside, Mr Duncan Hall, the chief executive, concentrates on marketing rather than land strategy. He is trying to bring a wasteland of 12,000 acres in the middle of conurbation into use and, as he puts it, create in five years the same economic, industrial and cultural impact that took ICI 50 years. So far he claims a staggering £1.24bn of committed investment by the private sector over the next few years.

Mr Alastair Balls, his opposite number at Tyne and Wear, is using the built-in appeal of Newcastle as the regional capital to attract blue-chip investment to ribbons of disused riverside land. The big coup so far has been British Airways' national ticketing operation in Newcastle Business Park.

Both corporations have ensured the presence of another big block in the industrial mix – offshore construction and servicing.

But have things gone far enough to provide sufficient shock-absorption against recession?

"Recovery of our manufacturing industry is fragile," says Mr Jeremy Beecham, leader of Newcastle City Council. "We also need many more good quality, service industry, white collar jobs for better balance. The last year has been good, but it would be awful if, because of a national recession, we could not build on it."

Tyne and Wear Development Corporation's flagship project on the Newcastle quayside has been stalled by the business failure of a local builder and the difficulties facing London property developers, who were backing it. It may still be rescued, as was the new Copthorne Hotel – now being built on the riverside near the main Tyne bridges, after the collapse of Rush & Tompkins – its builder.

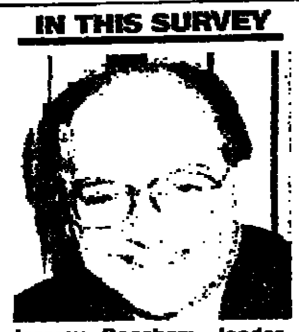
Problems like this are likely to loom larger in the coming months. Many will be solved, but there is a widening and understandable apprehension.

On the plus side, Nissan and Fujitsu are not going to go away. Nor could, say, Black & Decker shut down what is now the largest domestic power tools factory in the world at Spennymoor. The hope is that boardrooms will take a longer view than previously which, coupled with the advent of 1992, should ensure that the "branch factory" syndrome will not have the same effect this time.

Those with heavy borrowings will have trouble, says Mr Michael Denny, whose Northern Venture Managers funds are being pursued urgently by people wanting to replace debt with equity, but he thinks those who already have sensible gearing have a good chance.

As Mr Carr puts it: "Our indicators are still strong. If the recession doesn't last too long, we can survive it with most of our industry intact."

IN THIS SURVEY



Jeremy Beecham, leader of Newcastle City Council

The former dependency culture is branching out

Enterprise emerges

BY THE beginning of the 1980s the north of England had developed one of the greatest so-called dependency cultures in the United Kingdom.

Not dependent in the sense that great numbers of people were living off the state, but reliant in that most of the adult male population worked for large companies owned by someone else, often within unionised blocks.

In 1975 it was estimated that one third of the adult male workforce was employed by the three big industries, shipbuilding, coal and steel and their related engineering concerns. In the 1970s there were only 30 publicly quoted companies which were indigenous to the North.

The region was not completely devoid of entrepreneurs. Mr John Hall of the developers Cameron Hall became well publicised as the builder of the huge and successful Metrocentre at Gateshead. Mr Joe Robertson is said to have made a fortune from the refurbishment of city centre public houses in Newcastle.

Both of these mens successes have, in a sense, been by-products of the dependency culture. Because of the high level of unemployment and the constant threat of joblessness posed by declining industries, the people in the north are generally not as heavily mortgaged and do not carry as much debt of any kind compared to their counterparts in the south-east.

Those that are in employment enjoy high disposable income. In the centre of Newcastle and in Gateshead today there is ample evidence that as talk of recession is rife in the high streets of the south-east of the country, the consumers in of the North are continuing to spend.

These kind of retailing developments apart, however, the economic profile continued, until recently, to be that of dependency with all that goes with it: branch factories, the lack of small businesses and particularly the shortage of managers willing to go it alone.

This is now changing, with small units springing up on industrial estates and business parks where steel mills and coal mines used to be.

Mr John Carter of the venture capitalists 3i says that his bank has been in north-east for 25 years. But it has only been in the past few years that managers have been willing to set out on their own or indulge in management buy-outs.

This has reflected to some degree a realisation of what has become available in terms of loans and venture capital. But it is also the result of a greater spirit of enterprise in the North.

Mr Keith Stephensen of Pure

Venture capitalists such as 3i often take on high risk for a high return

Plas, was 40 years old when he decided to set up his own company in 1988. He had a background in packaging. He says he was very happy at the Bowater group where he was managing director of one of its subsidiaries.

Bowater, he says, is a "smashing" company. It was just that when he put his idea to the company it was not ready to take it up. His marketing idea was simply to make plastic bottles or containers for milk.

He estimated that only 8 per cent of the more than 7bn litres of milk packaged each day was in plastic bottles. Of this 8 per cent, one company – Plysu – had around 70 to 80 per cent. Plastic bottles for milk could not only be cheaper than glass or cardboard but also more environmentally friendly, Mr Stephensen said. He thought he saw a large growth market.

He went to see 3i with his idea and was told to draw up a business plan. The real problem for him, like others starting out, was the lack of capital. He had enjoyed a good salary and standard of living as a manager with Bowater, but his only real assets were as he puts it, "myself and some equity in my house".

Mr Stephensen, again like others, is fairly critical of the clearing banks. The clearers will only make secure lending against assets. In the case of small businesses these assets usually mean debtors who owe money against goods. If you are not producing anything as yet you have no debtors and thus no assets.

Mr Stephensen says that in the North there was no tradition of clearing banks making risk investments. But in the 1980s in the region various other sources sprang up. It is a development area so there were regional development grants, and there still is regional selective assistance.

British Steel (Industry) was set up in the seventies to help in areas where it used to be active. It is increasingly becoming like a venture capitalist, but it still does give what might termed soft loans. British Coal also gives loans. Some money is available from the European Coal and Steel Community Fund.

Cheap factories are built by English Estates at Consett, the old Steel town and elsewhere. The Derwentside Industrial Development Agency can help out in various ways. There are local authority aids. Last but not least there are the venture capitalists like 3i which will often take an equity stake on the basis of high risk and a high return if the operation is successful.

The trouble is that each of these possible sources of finance often has limits on how much of project it will support. Mr Stephensen needed to raise over £600,000. With the help of 3i he managed to put together what he calls a very complicated package.

He raised money on his house and now has a mortgage of £120,000, which is very high for this part of the world. The best part of the package was the regional development grant. He says this really is a windfall since it does not have to be paid back. In all he says his debt to equity ratio is about four to one.

Other parts of the package he is not so happy about. The British Steel participation is in the form of cumulative convertible preference shares which could be expensive in the long run. The 3i investment could work out to be extremely profitable for the bank, but Mr Stephensen expects that. He is still nervous about the clearing banks.

"Your overdraft is your working capital. Yet the local bank manager can just call it in if he is in trouble with his lending elsewhere and bring the whole house down."

One of the clearing banks has run into difficulties with its lending ratios by forcing too much debt on existing businesses when times were good.

Mr Stephensen is sanguine about his prospects. He employs dozens of people. He is cagey about discussing his volume sales but says that in value terms he reached a seven figure turnover in 1989 and made a profit in that year, his second year of operation. He is looking to expand at Consett.

One of his neighbours there is Derwent Valley Foods one of most publicised start-ups of recent years.

Ian Hamilton Fazey

Construction at Newcastle Business Park: the changing face of the North

The company was a green field start-up in 1982. It got off the ground when four friends in the food and packaging industry decided they wanted run their own business. Mr Roger McKechnie, the chairman and the managing director had gone as far as he could with his company. The only way he could progress, he said, was to go to London.

Using equity in their property, funds from British Steel, 3i and a variety of bank loans and regional grants, the four raised the money, and had a loan to equity ratio of around seven to one. The unusual aspect of their plan was that they had no specific product.

Seeing a hole in the UK market for premium snack foods, the directors went around the world looking for products. They came up with four: tortilla chips, california corn chips, mignons morceaux and shanghai nuts. These were marketed under the Phileas Fogg label as foods from around the world.

The calculation that there was a gap in the market was correct. More products have been added. Last year's turnover was £16m and profits were £1.4m.

It has not all been plain sailing. In 1984 the company expanded too rapidly and had trouble maintaining output. Customers had to be rationed as production reached its limits. New staff needed training, new quality controls systems were introduced. Derwent valley Foods estimated that £100,000 was needed to overcome the crisis.

In the event 3i, guaranteed a further £100,000 bank facility. Not all this was needed, but it had the effect of taking 3is equity to 30 per cent.

This act of faith in the company by 3i neatly illustrates how the bank works. If Derwent Valley Foods company were to be capitalised, notionally on a price/earnings ratio of, say, 10, the company would roughly be worth £10m. So for an investment of just over £300,000, 3i would be sitting on equity worth £3m.

Both these companies are so far successful. They show that taking a risk and showing some entrepreneurial spirit can pay off handsomely not just for the founders but for the backers. But they also show that for all the help and assistance available to would be entrepreneurs, there are also some impediments. Mostly the enterprise spirit needs to reach the clearing banks.

Stewart Dalby

INVESTMENT

Scoring new goals

THERE ARE lessons to be learned from northern England about persuading foreign and British companies to invest in factories and jobs, for even apart from £1bn of recent Japanese investment, the scale of achievement is considerable.

Dr John Bridge, chief executive of the Northern Development Company (NDC), can count £1.3bn of foreign investment in the latter half of the 1980s alone, creating 16,270 new jobs in over 150 projects.

Many of these investments are in "sunrise" industries that are likely to last. Sunset industries, such as coal, steel and shipbuilding, which employed one in three men as late as 1974, now account for only one job in 40.

The automotive and electronics industries are principal new building blocks in the region's industrial infrastructure. It is inward investment, not indigenous growth, that is making them that.

The lessons date from about 1984, when many disparate and often parochial authorities in the region started working more effectively as a team in the inward investment market. It is from then that the region's present systematic and effective marketing can be traced. For 1984 was the year Nissan decided to go to Sunderland.

"Winning Nissan proved it was better to work together than fight each other," says Mr Peter Carr, a former senior civil servant in the region who now chairs the County Durham Development Company. "It also proved to everyone that it was worthwhile. Nissan was big league."

However, because of Nissan's high profile, the north's wider and earlier achievements are often overlooked – and without them the Nissan coup would probably have been impossible. For through them the region had already proved, vitally, the adaptability of its workforce.

Black & Decker – which now operates the biggest domestic power tool factory in the world at Spennymoor, County Durham – is a leading example of an inward investor taking root and flourishing in the ensuing generation.

Indeed, pre-Nissan successes mean that the largest group of inward investors is from the US, with over 120 companies now established. They include Bristol Myers, Cummins Engines, Black & Decker and Ingersol Rand.

Some 60 companies from Scandinavia are represented, including Volvo and Perstorp from Sweden and Norsk Hydro from Norway.

Other investors include Samsung from Korea and some smaller Hong Kong concerns. There are also currently around 70 companies from Europe. Germany, Switzerland and the Netherlands are currently dominant in this field.

The highest profile has been taken by Japanese companies

The highest profile, however, has been taken by Japanese companies because of the sheer scale of Nissan's investment. There are now over 40 of them, all ready for the European single market in 1992.

NSK, the bearings manufacturer, was first to arrive in 1976, when it invested £7m to create 220 jobs. It has now put in over £70m and employs more than 750 people.

Although three more Japanese companies followed, their investment was small-scale. It was Nissan's decision, after a three-year search in 1984, which really opened the way: if the area was right for Nissan, that was good enough for anyone else in Japan.

When Nissan announced expansions that it would bring its total investment to £620m and create 3,500 jobs and a production capacity of 200,000 cars a year at its 800-acres site in Sunderland, the north-east's appeal was confirmed beyond even unreasonable doubt.

However, not all inward investment is foreign. There were 45 UK company relocations or expansions northwards in 1989-90, creating 4,533 jobs.

Another 20 projects, involving reorganisation among existing UK companies, managed to save 1,354 jobs in the north and transferred 1,369 from elsewhere in the country.

Significant moves involved St Albans Rubber, a relocation to Tanfield Lea, creating 200 jobs, British Home Doors to manufacture glassware in Washington (150 jobs) and Visible Technologies to Billingham, Teesside.

Dr Bridge says that in recent years there has been much less interest in the help and subsidy available, and more concern to find suitable green field sites and skilled labour.

The collapse of traditional industries has meant there has often been land available on the banks of the Tyne, Wear and Tees, but it has needed the government's two new urban development corporations (UDCs) and their funds to pay for its reclamation, so that only now is it coming into play.

Ironically, the opposite has happened with rented factory space. The cheap rental levels of the past have offered such poor returns to private sector builders that there is still a huge gap to be filled in the wake of the government curtailing the role of English Estates in building advance factories.

However, these things may be less important than the problem-solving skills the north has now developed to make it as easy as possible for prospective investors to move in.

Peter Carr: work together

The development of NDC – a partnership of local authorities and local industry and commerce – is part of it, but so has been the growth of co-operation between all the parties.

The successful emergence of the County Durham Development Company illustrates the point. It was set up by its eponymous county council three years ago to counter the prospect of investment being sucked into the UDCs. Now, it is one of a team that includes the UDCs, the NDC and the local authorities. Take any one of them away and Northern United is playing short. The NDC acts as captain.

The government has recognised its role by seconding staff to NDC headquarters. Mr Les Henson, chief executive of the Durham company, says that when an inquiry is fed into the system, sites all over the region are pooled and ranked for suitability.

"We compete, but it's amazing how many times a unique set of requirements comes together that can only be satisfied in one place." Northern United then starts playing in earnest. The team looks like scoring many more goals.

Ian Hamilton Fazey and Stewart Dalby

Tracy Corrigan examines results of regeneration in Teesside

A new landscape rises

THE CELEBRATED walk made by Mrs Margaret Thatcher in the wilderness of Middlesbrough's inner city dereliction in 1987 marked the start of a new phase in the regeneration of the region's once woefully dependent economy.

New shopping, housing, leisure and business complexes are rising from a landscape still dominated by cooling towers and chimneys.

The wilderness blessed by Mrs Thatcher three years ago is now best negotiated by landrover. A giant building site three times the size of Canary Wharf, Teesdale and Teesside Park together constitute the largest project under the aegis of the Teesside Development Corporation, one of the UK's six urban development corporations set up in 1987. The site is being transformed into a vast shopping, housing and leisure complex, one of a handful of developments designed to provide the "critical mass" which will spur fresh investment in the region.

Teesside's efforts to diversify its economy run counter to its historical and social traditions. Its three-pronged industrial economy built on chemicals, steel and ship-building seemed to guarantee prosperity and

Efforts to diversify the economy run counter to the region's tradition

"jobs for life" until the early 1980's when paternal employers such Imperial Chemical Industries and British Steel were forced to shed thousands of jobs.

"We used to say, not "I work for ICI", but "my family works for ICI", said a local. But after a prolonged period of dynamic growth since the company came to Teesside in the 1920s, ICI's workforce dropped from 30,000 in the 1960's to its current level of around 12,000, with the bulk of the losses in the early 1980's, at the time of the last oil shock.

According to Mr Peter Cawe, chief executive of Teesside Chamber of Commerce, 80,000 jobs were lost in the region in a ten-year period. In Hartlepool, 25,000 jobs were cut out of a working population of 40,000, says Mr Alan Humble of the Hartlepool Enterprice Agency.

Although both ICI and British Steel now run thriving operations in the area, increasing automation has made such companies capital, rather than labour-intensive. "We have to accept that we can no longer be supported by heavy industry," says Mr Tom O'Connor, national chairman of the Confederation of British Industry's Smaller Firms Council and a past chairman of the CBI Northern region.

The long reliance on a narrow industrial base stifled the growth of entrepreneurial spirit. "Teesside has suffered from a lack of companies between the very big and the very small," says Mr John Kirton, managing partner of KPMG Peat Marwick McLintock. There are some notable exceptions, such as MTM, the specialist chemicals company. Set up by two ex-ICI managers six years ago, it is now a listed company employing 700 employees with a turnover of £63m in 1989.

But many locals went into business "because they wanted jobs, not because they wanted to run their own businesses", says one observer.

To read the lack of entrepreneurial spirit as an indigenous characteristic is to misunderstand the economic structure of the area, according to Mr Duncan Hall, Middlesbrough-born chief executive of the Teesside Development Corporation. "Entrepreneurial spirit is a glib phrase. The opportunity to diversify did not exist," he says.

To create such opportunity is the role of the TDC. Mr Hall wants to have the same economic impact in five year as ICI had in 50 years, stimulating over a billion pounds of investment.

His critics charge that his developments are irrelevant to the needs of the local community, or that he is not creating "real" jobs. While some of the TDC plans do appear incongruous – such as the oxymoronic Hartlepool marina – he is, say his supporters among the local business community, addressing Teesside's very real image problem, as well as providing an attractive infrastructure.

Because of the negative perception of the area, it is still harder to attract investment from elsewhere in the UK than from abroad.

Mr Hall wants to reverse the trend of attracting investment through subsidy. "Historically, investment was not based on confidence, but on buying jobs," he charges. It followed that "the commitment of those companies was only as strong as the subsidy", so investment was "built into a doom-and-gloom situation".

TDC operates through joint ventures with the private sector, turning down projects

Cheaper labour and space may enhance the area's attractions

which are not shown to be commercially viable. Mr Hall becomes dubious if subsidy is a prerequisite.

"We provide a canvas; the private sector paints the picture," he says. Consequently, he says, he does not have a clear image of how the various projects will turn out.

Meanwhile, ICI's Belasis Hall Technology Park, designed to attract high technology industry to the area, is up and running. It is a campus development of high-quality premises for research and design, on 167 acres of ICI experimental farming land which had become redundant.

"The magnet to attract companies here, rather than somewhere 'nice' like Cambridge, is that any company on this park can avail itself of a wide range of facilities and services from ICI," says Mr George Hunter, chief executive. Firms are "cossetted" by ICI, which offers advice and access to equipment medium-sized companies could not otherwise afford.

As a logical extension to the technology park, ICI's latest plan is to establish a Process Plant Park, using existing assets to attract the manufacturing industry. Over 100 acres of land is available on an adjacent site in Billingham – and potentially up to 200 acres, as old, space-hungry ICI plants are replaced.

The sites are already serviced by roads rail, and all the process services needed by manufacturing plants, such as steam and nitrogen, are produced nearby. For young companies, this offers "a huge saving in capital costs and a fast

Teesside Park Interchange: a flagship scheme of the Teesside Development Corporation

track to getting into production", says Mr Hunter.

The 5,000 to 7,000 jobs which the technology park is ultimately expected to create will not be matched by the more capital-intensive processing park. But the project should give rise to additional jobs in the supply and servicing sectors.

"The future of the region lies in science parks like Belasis," says Mr Kirton of KPMG. As well as attracting investment, it is hoped such projects will lure more graduates to the area.

"ICI's objective is to use its assets – equipment and people – to attract the right sort of industries," explains Mr Hunter. "We, too, want to be part of a thriving region," he said.

Just as the pace of investment appeared to be working up some steam, high interest rates and galloping inflation are starting to bite. Companies like ICI are vulnerable to surging oil prices. Teesside has been somewhat insulated so far, partly because property prices have held up relatively well.

Optimists say that cheaper labour and space will further enhance Teesside's attractions in an economic downturn.

There are hopeful signs. The first TDC project is up and running: the Tees offshore base, a joint venture with the port authority, has 600 staff working from or on site; there has been a steady trickle of new investment, particularly by Far Eastern companies; and the traditional manufacturing companies are in fighting form.

Although ICI recently decided to phase out fertilisers, at the cost of more jobs, the company also announced a £110m investment in acrylics in Billingham.

But the smaller companies needed to fill the region's new sites, may not be able to countenance expansion in the current environment; the future of some projects could be in jeopardy, as high interest rates push costs up.

Plans for the development of Wynyard Park, the former ancestral home of the Londonderry family, which encompasses housing, business parks and retailing, are said to be temporarily on hold. The developer, Mr John Hall, is the local entrepreneur behind the Metro shopping centre in Gateshead.

"Interest rates defer decisions, inflation stops decisions," says Mr Hall of TDC.

He talks, with Stalinist overtones, of a "five-year social and economic revolution" for Teesside. As Mao-Tse Tung said of the results of the French revolution, it's too early to tell.

PROFILE: MILLICOM

Telecoms group moves to Darlington

WHEN MILLICOM, the international telecommunications group, shifted its European headquarters to Darlington, County Durham, the company was greeted by 1,800 applicants for 250 jobs. In London, Millicom had to pay agencies to recruit staff, bumping up already high labour costs.

The three purpose-built blocks in Darlington's Yarm Road industrial estate, officially opened by Mrs Margaret Thatcher last month, are large enough to accommodate the doubling of the workforce planned in the next two years.

Millicom started considering a move from London in 1988. "We decided if we are going to move, let's get some substantial benefits," says Mr Peter Scrope, deputy chairman of Millicom UK. The new location had to offer a pool of suitable labour, cheaper premises and a strong communications network, as well as additional financial incentives.

Most of the jobs are VDU- and telephone-based, a far cry from the town's industrial traditions. Millicom's largest businesses, the servicing of cellular phone customers and radio paging, strike chords of yuppiedom, out of tune with "the birthplace of the railways". But Darlington, with-

Most of the jobs are VDU-and telephone-based

out the dubious luxury of large, paternal employers like ICI and British Steel, has long had a more diverse economy than neighbouring towns at the mouth of the Tees – Middlesbrough, Stockton, Hartlepool – where massive redundancies in the chemical and steel industries in the early eighties all but crippled the dependent local economy.

Despite its more progressive approach, much of the new employment won by Darlington is still labelled as "women's jobs". Around 70 per cent of Millicom's staff are women, although the company has no preference for female workers. The level is higher than in London, where just over half the workers were female. The same pattern is expected when Fujitsu, the Japanese economics giant, opens its new plant at nearby Newton Aycliffe.

Millicom needs 2.7 staff to service every thousand customers, according to Mr Scrope, and it's 75,000-strong customer list is rising by about 2,000 per month.

"We use the local job centre

Grants and loans were added incentives to move

a lot here, which we would not dream of doing in London," says Mrs Rosie Gimlette, Millicom's personnel manager.

Before the move, Millicom recruited some management-level staff from the area, for training in London. But most of the Vauxhall-based workforce did not want to move, and only 30 staff followed the company to Darlington.

The company has been "exceptionally pleased" with the workforce. Mr Scrope has noticed different attitudes to training. "In London, they were less responsive. Here they'll turn round and say 'what a stupid way of doing something'." They tend to be more inclined to strict time-keeping, but more productive when at work, he says.

Darlington was chosen in preference to proposed sites in the North-West, and Luxembourg – only marginally influenced by Mr Scrope's local origins.

One of the three floors of the main office block lies empty, ready to house an expanding workforce. Such an apparent waste of space would be profligate in London. But Millicom owns its Darlington premises, built to its own design on land bought from the local council.

There were other incentives – two grants from the government, a soft loan from the European Coal and Steel Commission, and help from the local authorities (both Darlington council and Durham county council). Mr Scrope says the company would not have made the move without these incentives.

Tracy Corrigan

Cumbria's natural assets may help cushion recessionary blows

Strength in local diversity

CUMBRIA IS the Adam's apple on the silhouette of Britain – the bulge sticking out into the Irish Sea just below the chin of Scotland.

It looks compact, but as any visitor quickly discovers, it is several counties rolled into one. It used to be four: Cumberland, Westmorland and bits of Lancashire and Yorkshire but now it has at least three distinct parts: the corridor along the M6 to the East with its prosperous "new" industries, the old industrial areas in the West where adjustment to new times has been toughest and the unique splendours of the Lake District in the middle.

What they all have in common is magnificent scenery, and the sweep of the great outdoors. A feeling of history permeates the county's handsome stone-built capital Carlisle, a place where forces have clashed for centuries.

Cumbria's charms attract more than 15m tourists each year, their pockets jangling with some £300m, all of which makes work for 31,000 people, about 15 per cent of the county's labour force, and provides a useful underpinning to the local economy.

If anything, tourism's problems are of too much success. Traffic congestion and footpath erosion are now headline news. Although talk of shutting off the Lake District at peak times is fanciful, the Cumbria Tourist Board is trying to spread the flow of visitors more evenly throughout the year, and encourage them to visit new parts, like the West Coast or the Eden Valley.

But though many counties of England would give anything for a natural asset such as the Lakes, Cumbria's strength also lies in its diversity. The M6 corridor with its good north-south links has become a lure for industry and haulage, providing towns like Penrith and Carlisle with solid employment. United Biscuits, Pirelli and Cavray are well-entrenched local names.

Small businesses thrive as well. Mrs Margaret Thatcher recently visited Carlisle to present an award to John Chapman, a fast-growing company which makes hunting bags and exports most of them to Japan and Italy.

These strengths have ensured Cumbria a place among the UK's more prosperous counties. Although there are some signs that the recession is starting to bite, unemployment is still below the national average at 5 per cent.

The average would be lower still were it not for the legacy of earlier industrial glory along the coast. West Cumbria used to contain the UK's leading iron and coal communities. But that is all gone now. The last iron works and pits in Workington and Whitehaven shut down in the early 1980s throwing thousands of people out of work.

Fortunately, there are still big employers in that part of the county such as British Nuclear Fuels at Sellafield and VSEL, formerly Vickers, in Barrow-in-Furness which manufactures nuclear submarines and other defence equipment. But they, too, expect to lay people off, and the prospect of a fresh wave of redundancies in the area has triggered a series of initiatives by local government and business to speed up industrial transformation.

Cumbria County Council prides itself on its positive attitude towards business, though in the role of catalyst rather than provider. "I think we have a good relationship between government and industry here," says Mr Brian Graham, senior assistant director of the council's economic development and corporate policy department.

Politically, the CCC is a hung council with Conservatives and Labour each holding 37 seats, and the remaining nine shared among Liberal Democrats and independents.

The county's development strategy aims to create an attractive economic and physical environment for business, to support job-creating initiatives, and involve trade unions in collective bargaining and long-term planning.

But although businessmen have generally positive things to say about the authorities, there are obvious strains in a county with such rich natural endowments.

These emerge most strongly in the county's ambiguous attitude towards Sellafield. On the one hand, the huge facility is a major employer and customer for local business. But its pollution has frightened off thousands more, and blighted a whole stretch of the county's coast.

In Barrow, there is a similar ambiguity towards VSEL. The town could not survive without it, but this over-dependence makes people uneasy, and their feelings spill out in complaints about the noise and dirt which the shipyard causes.

Another worry is the steady decline of the county's most traditional industry – agriculture. Despite the image of neat green fields and Beatrix Potter farmhouses, farming now accounts for only 5 per cent of the county's economy.

But Cumbria has shown that it can make adjustments. There will be shocks in the coming years – but many have been anticipated. The fact that the county possesses splendid natural endowments suggests there are also ways in which it can cushion the blow.

David Lascelles

WEST CUMBRIA

The wounds of economic readjustment are healing

A DRIVE along the coast of Cumbria will expose you to some splendid scenery – but also to the pain of the county's economic adjustment.

The relics of past heavy industry abound – the worked out coal mines, the derelict factory sites and the ports that have seen better days. To these have now been added the threat that two of the region's largest industrial employers, British Nuclear Fuels Ltd (BNFL) in Sellafield, and VSEL in Barrow, will have to shed jobs in the years ahead.

But there is also encouraging evidence of Cumbria's efforts to breathe new life into the area. The harbour at Maryport is being redeveloped by English Estates North, the state-owned property company. Large plants around Workington and Whitehaven contain substantial manufacturing facilities for companies like Volvo, Iggesund, Ectona (part of Eastman Kodak), British Steel and Albright & Wilson.

Two particular initiatives illustrate development efforts.

The most advanced is at Derwent Howe, the seaside site of the former Workington iron works which has been redeveloped for new industries. A leading role here is being played by the West Cumbria Development Agency, a partnership between business and local government.

The agency was set up two years to anticipate the loss of several thousand jobs that will take place in a couple of years time at BNFL when construction of the Thermal Oxide Reprocessing Plant (THORP) is completed. Some 3,000 local jobs are directly at risk, with a further 3,000 vulnerable through the knock-on effect.

BNFL is contributing £1m a year and the local authorities a further £250,000 over a ten year period to finance a development fund. The money is being used to lay the infrastructure for new job-creating industries, such as the Westlakes science and technology park outside Whitehaven where building began this summer. Already the region has more than half a million sq ft of space available at as little as £2 per sq ft.

Allerdale, as the northern coastal district is called, has development area status and within that there is an enterprise zone, which qualifies it for government assistance. Along with its neighbour, Copeland, it also qualifies for a special £6m EC grant, but the councils have been unable to tap this money because it is conditional on matching funds being advanced by the UK Treasury, which have not been forthcoming.

According to Mr Tony Winterbottom, the chief executive of the West Cumbria Development Agency, this has caused much anger and frustration in the area.

As the commitment over ten years shows, this is a long term project. But past experience has demonstrated that it takes enormous resources to create jobs. Mr Winterbottom estimates that it has taken £55m of public money and £400m of private money to create 3,500 jobs in the Workington area.

Joan Ellis, the agency's tourism adviser, is trying to attract more visitors to the area. She says that 5 per cent growth a year for ten years would yield 1,000 jobs.

The second initiative is 50 miles further south on the outskirts of Barrow. Project Furness, as it is called, is aimed at absorbing some of the jobs that VSEL expects to shed during the 1990s. Precise numbers are not known yet, but they will run into the thousands.

Cumbria Council has taken over the 250-acre site of the former Barrow iron works beside the Walney Channel, and is reconstituting it as an industrial estate with the help of a £7m derelict land grant. The work is far from easy.

The site is beginning to take shape. The first two tenants – showrooms for Vauxhall and Nissan – have just opened up, and Rockliffe Developments of Kendal have agreed to build 150,000 sq ft of warehousing. An annexe of the Barrow College of Further Education has also been completed. Nearby, a new maritime museum specialising in iron shipbuilding is nearing completion, and a 40-room hotel is planned.

The council hopes that Project Furness will generate £3½m of diversified investment and over 1,000 new jobs in an area which has always been dependent on a few big local employers, according to Mr David Freestone, the council's representative.

Both initiatives suffer from their perceived remoteness from the main transport link. Apart from a short stretch of dual carriageway near the M6 the main coastal road is narrow and winding. But some improvements are planned and British Rail intends to keep open the line which follows the seashore.

The local authorities believed that transport constraints would make the area more attractive to high value, low volume manufacturers, but that has not necessarily been the case. Buses, wood board and steel rails are all made near Workington.

David Lascelles

Enterprise zone means new life for Sunderland

The cranes will go

SUNDERLAND is extremely sensitive about the wrong impression created by its "silent cranes" image following the closure of its last remaining shipyards nearly two years ago.

The trouble is that the cranes have been exactly that, dominating the skyline and symbolic of a lost past – yet offering hope that they might yet be reactivated.

The problem should soon be solved: last month everyone finally acknowledged that the shipyards are not going to be brought back from the dead by some benevolent incomer – or at least not as shipyards.

The cranes have been sold and will be dismantled and removed within six months. So will the huge sheds in which British Shipbuilders constructed vessels. These funereal rites for Sunderland shipbuilding will mean that the town can also bury its past and get on with its new life.

The issue should never have been in doubt because the European Commission had already allowed Sunderland to have Britain's last enterprise zone as a result of the shipyard closures.

But it cannot have both shipbuilding *and* the zone, which the EC does not like because it distorts competition by subsidising industrial development. Ultimately, by acknowledging that shipbuilding or ship repair cannot be revived, the zone can be brought into full play as a marketing asset.

That said, the loss of the shipyards needs to be put into a wider perspective. As Mr Phil Wright, head of marketing and policy for Sunderland council, points out, they employed only 2,500 people in an active workforce of more than 120,000.

By the time their closure had impacted on the unemployment figures of January 1989, there were 20,668 unemployed men on the register and 6,282 women, a total of 26,950, with unemployment rates of 15.5 per cent overall and 20.2 per cent for men.

By August this year, there were 14,842 men and 4,454 women out of work – a total of 19,296. The overall rate had dropped to 12 per cent and that for men to 16.6 per cent.

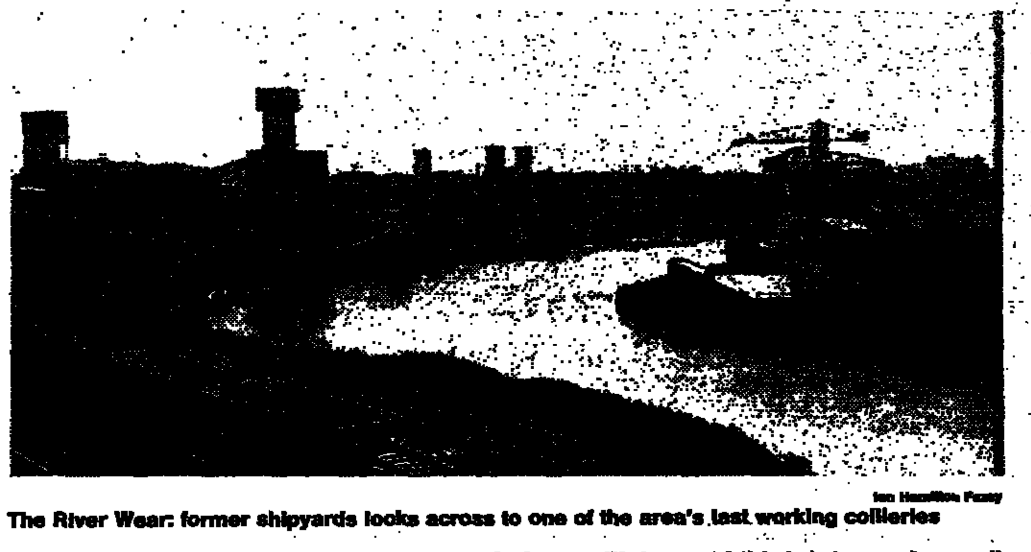
Grim as the later figures still are, they mean that 7,654 new jobs nevertheless appeared in a little over 18 months, an improvement of 28.4 per cent.

"People don't realise the scale of what has been achieved," says Mr Ed Robson, the town's director of architecture and planning. "What we have done in retraining has been as remarkable as our achievement in factory building."

With new factory space chronically short and the private sector hesitant because of poor rental levels and returns in the north, the borough spent £3m on advance factories last year.

"We have got only one 20,000 sq ft factory left," says Mrs Janet Snaith, employment development officer. "If anyone wants 10,000 sq ft or less, there is nothing available."

Any scandal about Sunderland's jobless figures may well be because, as Mr Robson puts it: "If we'd had a stock of buildings during the boom of the last few years, we would have filled them all."



Ian Hamilton Fazey

The River Wear: former shipyards looks across to one of the area's last working collieries

Mr Alastair Balls, chief executive of Tyne and Wear Development Corporation, believes that because of the enterprise zone, Sunderland's problem is now solved in principle, although it will take years to work through.

He says private sector developers were holding back to make sure that the zone, which is on several sites, would not be threatened by a revival of shipbuilding.

The zone's main attraction for them is 100 per cent capital allowances, a potent means of keeping going for developers who are making losses elsewhere because of economic downturn.

During the hiatus, English Estates has built some units in the zone and these will be ready soon. Following shortly will be several large factories financed by Scottish Provident over the road from the expanding Nissan factory.

Mr Wright says that Nissan is now one of Sunderland's great assets in developing its new image. It never bothered before because marketing was done by Washington New Town, now a Sunderland suburb which sandwiches Nissan between itself and the old town.

The new town has also created an unusual opportunity. Because it was populated by young families, Sunderland now has a predominantly young workforce. There is no demographic timebomb to create a future labour shortage, and this is being used as a selling point to potential incomers with high technology businesses.

Enlarging the private sector in the town is vital. The successful Vaux brewery group and Nissan dominate, but the sector is still too small, and too many employers too big, for grass roots entrepreneurship to flourish, as it does elsewhere, through mutually supportive small businesses. The latter are encouraged mainly through council-run workshops.

The disappearance of the silent cranes should hasten many of the changes now well under way.

Ian Hamilton Fazey

LONDON STOCK EXCHANGE

Equities fight to hold FT-SE 2,100

GLOBAL MARKET pressures began to make their presence felt in London yesterday, and the stock market struggled to hold on to the FT-SE 2,100 mark which is seen as a significant support level. The principal feature of the day's trading was the fall-off in trading volume, which returned to the disappointing levels recorded before last Friday's announcement of British entry into the European exchange rate mechanism and the cut in domestic interest rates.

With crude oil prices still firm, the pound little changed and the Gulf situation remaining uncertain, equities had no much choice but to open lower

Account Dealing Dates		
*First Dealings:		
Sep 24	Oct 8	Oct 22
Option Declarations:		
Oct 4	Oct 18	Nov 1
Last Dealings:		
Oct 5	Oct 19	Nov 2
Account Day:		
Oct 15	Oct 29	Nov 12

*New-time dealings may take place from 8.30 am two business days earlier.

following sharp falls in New York and Tokyo overnight. After an erratic session on the downward side, the FT-SE Index closed a net 19.6 down at 2,102.2. London closed before Wall Street had to face the news that a leading New York bank had cut its dividend, confirming recent fears. Thus, Wall Street's loss of nine Dow points in London time appears to leave the UK market vulnerable to overnight influences from the New York market.

The Footsie Index tested the 2,100 mark twice early in yesterday's session, well-noted by some equity chartists who commented that the market would prove very vulnerable between 2,090 and 2,100. On the news of the dividend cut by Chemical Bank, Wall Street immediately dropped by more than 50 Dow points; any consolidation around that level seems bound to have an effect on London this morning.

London's Seaq reported volume continued to drift, with yesterday's volume being 361.3m shares against Wednesday's 427.4m. Traders said that business showed signs of returning to the depressed levels of the past few months, when daily Seaq figures depended heavily on inter-dealer activity in a nervous trading market.

However, data from the International Stock Exchange disclosed that investment retail business this week has remained high, with Wednesday's total at £1.7bn still well over double the daily average of recent trading accounts.

Also unsettling the UK market were hints of an impending rights issue from a leading company. Several UK-quoted companies are believed to have been planning right issues, and the strength of the market over the past few sessions would encourage such plans. However, the renewed fall in trading volume will cast renewed doubts over prospects of the success of any major fund-raising plans.

International stocks continued to give ground yesterday as the London market kept a wary eye on the sterling/DM-rate which remained above DM 3.00 mark. From the equity viewpoint,DM 3.05 is a selling trigger, but also could bring pressure for a further cut in Britain's interest rates.

Heavy fall in Glaxo

PROFIT downgradings and gloomy sentiment over the threat of a rival to Zantac, its flagship anti-ulcer drug, knocked Glaxo shares back by 31 to 749p on a heavy 6.4m turnover, mostly selling. Some analysts feared that Glaxo may not have hedged trading profits against the strength of sterling.

Smith New Court, the UK securities house, adjusted its Glaxo figure for the year ending June 1991 from £1.18m to £1.14m. BZW moved its profit estimate from £1.28m (high in contrast with other analysts' forecasts) to a relatively low £1.18m.

It suggested a switch to *SmithKline Beecham (SB)* saying that SB stock was undervalued; SB shares fell 2 to 555p on a turnover of 4.7m.

Glaxo was also hit by the news that Takeda, the Japanese pharmaceutical company, had developed an anti-ulcer drug which had different properties from Glaxo's Zantac and could capture a sigificant market share.

Options and BP

BP shares came under pressure on reports from the traded options market that the group *may be contemplating a substantial rights offer*. Talk in the market was that BP would use the proceeds to launch a big takeover bid in the US.

Oil sector specialists tended to dismiss the speculation. They said that given the enhanced cash flow resulting from higher crude oil prices, BP had no need to go to the market for cash.

One reason put forward for the early decline in the share price was that a leading US investment bank was an aggressive seller of BP stock overnight in America and at the outset in London, via a programme trade.

BP settled 5 off at 354p after turnover of 6.6m. Shell, also said to have figured prominently in the programme, shed 3 to 459p on 3.5m shares; 4m Shell ADRs showed up on the overnight ticker.

Revived debate

The debate over troubled industrial materials group Cookson revived after it was labelled a sell by a leading UK securities house. The analyst reduced profits estimates for this year and next to the lowest so far recorded in the market, citing currency disadvantage to Tioxide – the group's joint venture with ICI – following Britain's entry into the European exchange rate mechanism. However, he expected *the final dividend to be maintained.*

Other researchers were surprised by the dividend prediction. "If that view is to be accepted, how can you afford a sell rating to an Alpha stock yielding nearly 18 per cent on a price/earnings ratio of three times," said one, who has already forecast a halved final payment.

Eventual profit numbers have little relevance, he added: lower profits are widely expected and the important issue is whether debt levels and balance sheet strains will drive Cookson deeper into financial problems.

County NatWest lowered its dividend expectations for Cookson towards the end of last month and warned yesterday that it was not confident about any forecasts for the UK industrial sector. Cookson shares *lost 4 to 65p on increased turnover* of 1.9m.

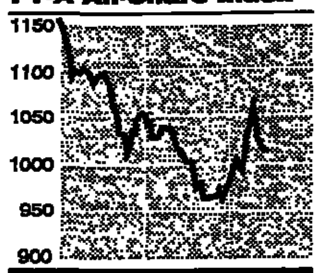
Smaller companies

The flow of analysts' post-ERM assessments of market sectors and individual stocks increased, with County NatWest publishing several commentaries, including one on smaller companies. The investment bank believes interest rates are set to fall over the next few months, and has examined its list of lesser-known stocks to determine which have the greatest opera*tional sensitivity and financial* gearing.

Its principal recommendation is Sherwood Group, the textile company which, through subsidiary concerns, rates the number two position in world terms in lace production. County is looking for the company to increase profits both this year and next. Supported by this advice, the shares resisted the market malaise at 310p.

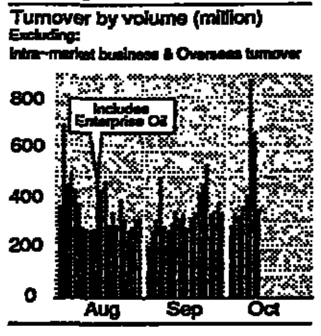
Worcester and Davenport Vernon were selected by County's researchers as prime beneficiaries of the trend towards cheaper money. Worcester for its exposure to the UK residential market, 70 per cent of its turnover comes from the sale of combination boilers, and Davenport, the motor retailer, because "low interest cover combines with a highly interest rate-sensitive market". Neither stock was

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



blown off course in the latest market squall.

Wellcome declined 8 to 462p following a report in an American medical journal that the dosage of Wellcome's anti-Aids drug, Retrovir, could be halved.

A series of heavy individual trades involving High Street banks flashed up on the Seaq ticker within a matter of minutes, and was interpreted as large-scale switching between TSB and NatWest. Turnover in these two banks reached 10m each. The afternoon action *comprised blocks of 2m, 2.4m* and 3m in TSB and lines of 2.7m, 1m and 1.5m in NatWest. Abbey National shares were also very active, although on a much smaller scale than TSB and NatWest.

The clearers, hit late on Wednesday by reports that at least one of the big US banks had run into problems over the troubled Trump empire, were given another rough ride. The news that Chemical Bank had cut its dividend came too late for action in UK stocks. NatWest, with its exposure to the US property market, closed 8 down at 254p on 10m and Barclays dipped 7 to 354p. Lloyds, 4 lower at 279p, and Midland, 2½ easier at 197½p, were relatively quiet. TSB were a fraction easier at 136p on 10m and Abbey National slipped a shade to 228p on 4.1m.

The rights issue story in BP quickly leapfrogged into the insurance sector, hitting Prudential and then Legal & General. One analyst described the rumours as "most unlikely", *although he acknowledged that* a top life group could well be having a hard look for a building society acquisition.

He said Legal had only recently raised some £130m from the sale of its Victory Reinsurance subsidiary and would benefit from the change in accounting procedures. As to the reasons behind the fall in the two companies' shares, he noted that analysts had been factoring in significant increases in subsidence claims; "these are not stories but facts". Legal shares dropped 16 to 393p, while Prudential lost 9 to 205p. A sell note lowered Guardian Royal Exchange 14 to 187p on 3.6m.

Insurance brokers moved against the market trend, with Sedgwick, well supported late in the session, closing 5 higher at 196p and Willis Corroon, the result of the merger of Willis *Faber and Corroon & Black*, marginally ahead at 194p. Lloyd Thompson added 4 at 269p after the increase in marine insurance rates.

Building issues were barely changed in a sector showing signs of exhaustion after the recent cut in UK base rates and sterling's entry into the European ERM. Only Tarmac (240p, down 2) and Beazer (84p, off a penny) recorded more than 1m shares traded (1.3m each). Among other leading stocks, RMC put on 3 to 631p, but Blue Circle finished 2 down at 222p.

A *general decline in construction activity was blamed* on a severe downturn in profits forecast by A.H. Ball, suppliers of pipelines and associated excavations for the water industry, and the shares plummeted 55 to 75p.

The company announced that a delay in capital expenditure by water companies will mean that results for the half year to October and full year to March next year will be significantly below last year's levels. Looking further ahead, however, the company emphasised that its strong balance sheet and cash deposits of over £1.25m placed the company in a good position to take advantage of an economic upturn.

Guinness stock came on offer following a profits revision by UBS Phillips & Drew. The investment house shaved next year's forecast to £975m from £1bn because the group was more exposed than other brewers to both the US dollar and the Japanese yen. Guinness fell 14 to 715p as turnover expanded to 1.9m shares.

The heaviest activity in telephone networks/electronics was in Racal Electronics, which eased 2 more to 153p on 5.4m, still burdened by hints of further US selling pressure. British Telecom, after recent profits downgrades, dipped 5¼ to 274p on 5.2m, but Cable and Wireless, where analysts have also been reducing their earnings *estimates, stabilised* and closed marginally firmer at 412p.

Silvermines, the engineering company, remained static at 65p as a growth warning cancelled out any optimism over a slim rise in interim profits. Simon Engineering, the industrial services and contracting group, slipped 2 to 316p after broker Smith New Court downgraded its profits forecasts. It cut its 1990 estimate by £3.5m to £43.5m and its 1991 figure by £4.3m to £49m.

Another engineering company, A Cohen, slipped back after announcing a drop in interim profits to £1.3m from £2.1m. The ordinary shares fell 25 to 450p and the "A" lost 25 to close at 350p.

Tate & Lyle rose 7 to 252p amid turnover of 2.8m on speculation that it had received US regulatory approval for Sucra*lose, its non-calorie sweetener.* However, analysts said it might still take several months before Tate was given the go-ahead.

Computer People reacted as County NatWest took stock after Wednesday's interim results and envisaged a flat second half leading to a downgraded profits forecast of £4.5m, as opposed to the £5.2m originally expected. Earnings growth is unlikely to exceed 5 per cent over the next two years, although dividends may be raised by 20 per cent each year, said County. The shares *settled 10 down at 206p.*

Land Securities added 4 at 497p and MEPC rose 3 to 466p. On the other hand, Hammerson 'A' lost 13 to 540p, shedding part of Wednesday's 23 gain, while Capital & Counties hardened 2 to 332p on a buy recommendation from Salomon Brothers.

Town Centre Securities raised the final dividend, having managed a small increase in pre-tax profits, but the shares finished a penny lower at 65p.

Fresh concern about the economy affected a number of recruitment and advertising agencies. Manpower, the employment agency, slipped 5 to 48p after reports that its £106m sale of five UK employment agency chains had *encountered difficulties.*

Saatchi & Saatchi, the marketing services group, eased 4 to 30p on news that it had to drop the sale price of a US subsidiary, Gartner Group. Gold *Greenlees Trott*, the advertising agency, fell 11 to 70p.

An unchanged interim dividend but a near halving in six-month profits at S. Jerome saw the price fall initially to a low of 78p before recovering to finish unchanged at 80p.

Kelt Energy, weighed down by debt and sold down to 3p in recent weeks, rallied to close 1¼ higher at 8¼p after the company said it was seeking buyers for certain exploration and production interests onshore and offshore in the UK. These include its 7.5 per cent interest in the Wytch Farm oilfield.

Aviva, where chairman Mr Lawrence Hockey-Sweeney's family trust recently sold a 17 per cent stake to Gulf Resources for 19.75p a share, or £8.8m, dipped to 13p before finishing a net 1¼ off at 13p.

William Sinclair was quoted ex the rights issue at 207p, with the new nil-paid shares at 25p premium. Quarto improved to 94p after disclosing higher first-half profits.

Water shares maintained their recent outperformance of the wider market. Southern, recently upgraded by Kleinwort Benson, added 5 more at 205p, while similar gains were recorded by Wessex, 223p, and South West, 231p. The Water Package rose 20 to £2,260.

■ Other Market statistics, including the FT-Actuaries share index, Page 25

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (4).
BRITISH FUNDS (2) STORES (1) TRUSTS (1).
NEW LOWS (210).
AMERICANS (25) CANADIANS (10) BANKS (4) BREWERS (2) BUILDINGS (4) CHEMICALS (3) STORES (5) ELECTRICALS (9) ENGINEERING (4) FOODS (5) HOTELS (1) INDUSTRIALS (36) ADT, Abbeycrest, Avon Rubber, BBA Grp., BSS Grp., BTR Nylex, Beaverco, Brierley Invs., CSR, Co. of Designers, Computer People, Dauphin, Davis (D.Y.), Dover Corp., Elders IXL, Fletcher Chlngs., Forwell Grp., Glieves Grp., Halstand Nycomed "B", Harris (Ph.), ISA Intl., Intercare Grp., Kembrey, Kleen-E-Ze, Manpower, Metsec, Office & Elect., Pacific Dunlop, Plastiseal, Shiloh, Siebe, Sketchley, Swallowfield, Swire Pac. A, Sykes-Pickavant, Whittington, INSURANCE (5) LEISURE (6) NEWSPAPERS (2) PAPERS (5) PROPERTY (1) TEXTILES (3) TRANSPORT (7) TRUSTS (45) OILS (8) OVERSEAS TRADERS (1) MINES (22) THIRD MARKET (1).

FINANCIAL TIMES STOCK INDICES

	Oct 11	Oct 10	Oct 9	Oct 8	Oct 5	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.97	79.98	80.22	80.74	78.98	83.87	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.86	88.97	89.14	88.50	86.80	93.89	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1618.9	1626.7	1640.5	1705.7	1655.6	1817.7	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	172.5	175.9	178.2	179.3	184.8	204.8	378.5 (8/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2102.2	2121.8	2134.1	2201.6	2143.9	2237.8	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.90	5.85	5.82	5.60	5.78	4.50				
Earning Yld %(full)	12.37	12.27	12.20	11.73	12.05	10.93				
P/E Ratio(Net)(*)	9.79	9.86	9.93	10.33	10.05	11.13				
SEAQ Bargns 4.45pm	18,968	22,507	30,405	54,547	19,738	23,431				
Equity Turnover(£m)†	-	915.24	1746.00	2028.35	911.04	832.21				
Equity Bargains†	-	21,118	31,905	48,912	18,073	24,313				
Shares Traded (ml)†	-	350.2	659.6	881.0	405.0	385.1				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ◇ Nil 9.84

Ordinary Share Index, Hourly changes — Day's High 1629.1 — Day's Low 1615.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1621.3	1627.5	1624.3	1621.0	1621.3	1619.8	1620.0	1620.7	1618.4

FT-SE, Hourly changes — Day's High 2123.0 — Day's Low 2100.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2113.9	2120.9	2114.9	2109.7	2110.6	2108.4	2108.8	2109.8	2100.4

GILT EDGED ACTIVITY

Indices*	Oct 10	Oct 9
Gilt Edged Bargains	92.3	114.4
5-Day average	112.4	110.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ADT	1,700	125	-5
ASDA Group	2,800	126	+½
Abbey National	4,100	228	-1
Allied-Lyons	1,100	462	+3
Amstrad	4,300	61	+1
Anglian Water	890	232	+2
Argos	271	247	
Argyll Group	1,000	240	-3
Ass Brit. Foods	87	238	-1
BAA	248	410	+1
BAT Inds.	1,600	555	+5
BET	504	213	-1
BICC	303	359	-3
BOC	117	478	+3
BPB Inds.	280	186	
BTR	1,500	315	-2
Bank of Scotland	116	108	-½
Barclays	1,900	354	-7
Bass	491	1032	
Beazer	1,300	84	-1
Berisford Int.	369	27	-1
Blue Circle	428	222	-2
Boots	756	318	+1
Brit. Aerospace	1,600	540	-3
British Airways	3,400	137	-1
British Gas	2,700	228½	-1½
British Land	82	252	-1
BP	6,600	354	-5
British Steel	4,100	124½	+½
British Telecom	5,200	274	-5½
Bunzl	114	66	+1
Burmah Castrol	222	498	+5
Burton	6,300	68	+2½
Cable & Wire	1,300	412	+2
Cadburys	786	310	+1
Calor Group	19	238	
Carlton Comms.	821	333	+4
Coats Viyella	1,400	105	+1
Comm. Union	612	476	-3
Cookson	1,900	[illegible]	[illegible]
Courtaulds	2,100	[illegible]	[illegible]
Dalgety	113	[illegible]	[illegible]
Dixons	2,200	[illegible]	[illegible]
ECC Group	245	[illegible]	[illegible]
Enterprise Oil	1,700	[illegible]	[illegible]
FKI	174	[illegible]	[illegible]
Ferranti	575	[illegible]	[illegible]
Fisons	617	[illegible]	[illegible]
Gen. Accident	798	[illegible]	[illegible]
General Elect.	1,300	[illegible]	[illegible]
Glaxo	6,400	[illegible]	[illegible]
Glynwed Int	794	[illegible]	[illegible]
Granada	577	[illegible]	[illegible]
Grand Met.	2,000	[illegible]	[illegible]
GUS A	331	[illegible]	[illegible]
GRE	3,600	[illegible]	[illegible]
GKN	1,600	[illegible]	[illegible]
Guinness	1,900	[illegible]	[illegible]
Hammerson 'A'	114	[illegible]	[illegible]
Hanson	4,100	[illegible]	[illegible]
Hanson Warrants	319	[illegible]	[illegible]
Harrisons Crosfield	141	[illegible]	[illegible]
Hawker Sidd.	1,400	379	-17
Hillsdown	1,000	275	
IMI	78	194	
ICI	977	826	-11½
Inchcape	719	221	
Kingfisher	2,130	379	-1
Ladbroke	4,800	277	-2
Land Securities	489	497	+4
Laporte	27	474	+6
Legal & General	1,400	393	-16
Lloyds Abbey	255	331	-3
Lloyds Bank	784	279	-4
LASMO	1,900	488	+8
Lonrho	758	213	-3
Lucas	1,500	114	+2
MB Group	340	158	
Reuters	1,600	683	-21
Rolls Royce	3,300	171½	-3
Rothmans	73	890	
Ryl Bk Scotland	805	151	+5
Royal Insurance	583	393	+1
STC	687	304	-1
Saatchi	733	30	-4
Sainsbury	871	309	-2
Scottish & New.	1,400	344	+1
Sears	2,400	81	-1
Sedgwick	1,200	196	+5
Severn Trent Water	1,300	205	+1
Shell Transport	3,500	459	-3
Siebe	1,100	282	-8
Slough Ests	88	229	
Smith (W H) A	199	304	+1
Unilever	1,200	844	+1
United Biscuits	851	313	-1
Utd Newspapers	330	311	
Water Package Uts	0	£2260	+20
Wellcome	1,100	462	-8
Welsh Water	135	294	+1
Wessex Water	615	223	+5
Whitbread 'A'	1,000	441	+1
Wiggins Teape	347	158	
Williams Hldgs	753	220	+2
Willis Corroon	6,700	194	+1
Wimpey	478	209	+4
Yorkshire Water	391	238	+1

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm

APPOINTMENTS

Moves at TI Group companies

■ TI GROUP has made the following appointments in subsidiary companies: Mr Richard Dewar becomes commercial director, thermal technology group. He was director, planning and financial analysis, Core Mark International Inc, California. Mr Bob Goff is made director of technology, Bundy International. He was director of product engineering, Bundy Europe. Mr Dennis M. Custage has been appointed vice president responsible for John Crane International subsidiaries in Brazil, Mexico, and Venezuela, and for the distributor network throughout Latin America. He was director of operations, North Africa and the Middle East, Xerox Corp. Mr Fred S. DeCussatis has been promoted to vice president finance for TI Aerospace, Pennsylvania. He was secretary and treasurer.

■ Mr Richard Fry has been appointed chief executive of the retail broking operations of the MINET GROUP in the UK, including Minet Insurance Brokers (U.K.), Minet Consultancy Services, Minet Trans Risk Services, and Cork Bays and Fisher.Mr Paul Cotterill and Mr C.R. Dixey have been appointed managing directors of J.H. Minet & Co. Mr Roger Cooney and Mr Michael Vaughan-Fowler become senior executive directors and join the J.H. Minet management committee, together with Mr Ian Soden. *The international marine* division and the international offshore energy division have been combined with Mr David Klima as managing director.

■ BANCO DE SABADELL's London branch has appointed Mr David A. Aitkins as senior manager, marketing. He was with Barclays Bank. Mr John Radford retires as deputy general manager at the end of the year.

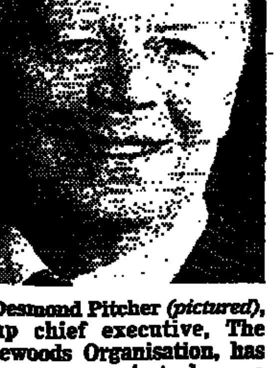
■ THE CANADA LIFE ASSURANCE CO, Potters Bar, has appointed Mr John Grimsley as sales manager, UK. He was southern regional sales manager.

■ MICROVITEC, Bradford, has appointed Mr Anthony Sampson as finance director. He was finance director, Chloride Industrial Batteries Group, standby power division, and succeeds Mr Dennis Holt who has resigned.

■ Mr D.A. Skey has been appointed a director of HEATH FIELDING REINSURANCE BROKING.

■ THE PHOENIX TIMBER GROUP has appointed Mr Paul Seddon as managing director of the importing and distribution division. He was personal assistant to the chief executive, Hunter Timber Group.

■ Mrs Valerie Marshall has been appointed a director of stockbrokers GREIG MIDDLETON & CO. She was head of business enterprise, Scottish Development Agency, and a member of the Monopolies and Mergers Commission 1977-81.



Mr Desmond Pitcher *(pictured)*, group chief executive, The Littlewoods Organisation, has been appointed a non-executive director of NORTH WEST WATER GROUP, and deputy chairman of EVERTON FOOTBALL CLUB.

■ Mr John Robb, chief executive, Wellcome Foundation, has been appointed non-executive deputy chairman of NFC. He succeeds Mr James Watson who becomes chairman on January 1.

■ Mr J.R. Taylor has been appointed a director of GALLAHER. He continues as managing director, Gallaher Tobacco U.K.

■ ROBERT H. LOWE has appointed Mr David Cole and Mr Alan Washington to the main board. Mr Cole continues as company secretary, and becomes finance director, succeeding Mr Colin R. Greenhalgh who will concentrate on operational strategy. Mr Washington, in charge of the sportswear division, will be covering a wider range.

■ Mr Gordon James Hall has been appointed chief executive officer, SHIELD *DIAGNOSTICS, Dundee. He* is country manager, UK and Ireland, Abbott Diagnostics.

■ Mr David Harman has been appointed vice president, global securities product management, at MANUFACTURERS HANOVER, London. He joins from The Northern Trust Co. Mr Julien McCall, Jr, has been appointed vice president and manager of the new European branch in London of Manufacturers Hanover Futures & Options Inc, where Mr Paul Bethell becomes investment banking officer, and Mr Scott Somers assistant vice president.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21⅞	5⅝	Chase Manhattan $12½	6¼	-⅛	$1.20	–	20.1
19¾	754p	Chem. Banking Corpn.	756	-20	$2.72	–	18.2

CANADIANS

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
£13¾	£9	ABN Amro Fl5	£9½	......	Q28%	2.1	9.2	5.1
303	164	ANZ SA1	164	-3	44c	1.4	11.5	6.2
233	172	Abbey National 10p	228	-1	5.7	4.3	3.3	9.2
*274	128	Allied Irish Ord	137	+7	Q40%	3.3	6.5	6.2
85	47	Anglo Irish	48	....	‡Q18.7%	2.7	8.7	6.9
93	61	Ansbacher (H.) 1p	66	+2	2.5	1.3	5.1	19.0
£71⅞	£32⅞	Bancaire Cie Fr100	£37	+1	Q12¼%	-	3.4	-
£22⅞	£13⅞	Banco Bilbao Viz	£14⅛	-¼	Q49.1%	2.7	5.7	9.7
286	136	Bank Ireland IrE1	139	+1	Q14.7%	2.9	9.5	4.9
£19½	£18	Bank Leumi	£19½	......	-	-	-	-
351	320	Bank Leumi (U.K.)	330	......	†15.0	-	5.7	-
129½	100	Bank Scotland	109xd	-½	†4.55	3.4	5.6	6.9
100¼	83¼	Do. 9¼pc Irrd Pf	99	-½	9¼%	-	12.5	-
54	39	Bank of Wales	42xd	....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	354	-7	†h19.57	3.5	7.4	4.9
22	11	Benchmark 20p	12	......	0.75	-	8.3	-
335	238	Brown Shipley £1	245	......	12.0	2.2	6.5	7.9
*435	285	Cater Allen £1	325	......	N24.5	-	10.1	-
179	49	Chancery	52	......	9.0	2.7	23.1	2.1
£23¼	£15⅛	Commerzbk DM10	£15⅛	-⅛	Q18%	-	4.1	-
£13⅛	620	Dai Ichi KBk Y50	642	-16	Q17%	6.2	0.5	32.5
£33⅜	£194⅛	Deutsche Bk DM50	£199½	+1⅛	Q28%	-	2.4	-
£20⅞	£14⅛	Espirito Santo	£14⅞	......	Q75c	5.1	2.6	7.6
253	166	First Nat. Fin 10p	194	-3	13.0	2.1	8.9	6.7
121	82	FNFC 6.3pc Cv. Pf	96	-2	6.3%	-	8.7	-
£13⅛	633	Fuji Bank Y50	681	-20	Q17%	♦	0.5	♦
325	262	Gerrard & National	299	-3	19.0	-	8.5	-
154	100	Guinness Mahon 10p	100	...	2.1	-	2.8	-

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

MOTORS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

THIRD MARKET

For Unit Grp see PAPER, PRINTING, ADVERTISING

For Vizcaya Hldgs see MINES Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. γ	700	.....
Finlay Pkg. 5p.... γ	43	....
Holt (Jos) 25p.... γ	1380xd	-5

IRISH

Cap. 8½% Ln. 1991	£98¼	...
9pc Cap Ln. 1996..	£93½	.....
Fin. 13% 97/02...	£110	....
Arnotts.	180	.....
Carrol (P J.).. .... α	152	....
Hall (R. & H.)..	165	....
Heiton Hldgs ...... γ	50	.....
IRG..	155	.....
United Drug.......	136	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons....	40
Amstrad..	6
Astec (BSR)........	4½
BAT........	45
BOC Grp......	39
BTR........	29
Barclays........	27
Blue Circle........	17
Boots........	21
Bowaters........	41
Brit Aerospace........	43
British Steel........	13
Brit. Telecom........	22
Cadburys........	26
Charter Cons........	37
Comm Union........	37
Courtaulds........	25
Eurotunnel........	40
FKI........	5¼
FNFC........	20
Gen Accident........	37
GEC........	14
Glaxo........	57
Grand Met........	44
Guardian........	15
GKN........	27
Hanson........	16
Hawker Sidd........	39
ICI........	78
Ladbroke........	22
Legal & Gen........	29½
Lex Service........	28
Lloyds Bank........	21
Lucas Inds........	11
Marks & Spencer........	18
Midland Bk........	20
Nat West Bk........	18
P & O Dfd........	42
Polly Peck........	40
Racal Elect........	14
RHM........	23
Rank Org Ord........	49
Reed Intnl........	30
STC........	19½
Sears........	6½
SmKl. Beecham A........	44
TI........	37
TSB........	10
Tesco........	19
Thorn EMI........	49
Trust Houses........	21
T&N........	14
Unilever........	50
Vickers........	19
Wellcome........	38

Property

Brit Land........	24
Control Secs........	3½
Land Securities........	42
MEPC........	38
Mountleigh........	11

Oils

Aviva Petlm........	3½
Brit Petroleum........	28
Burmah Castrol........	44
Conroy Petlm........	20
Gaelic Res........	2
Premier........	8½
Shell........	40
Tuskar Res........	6
Ultramar........	31

Mines

Lonrho........	21
RTZ........	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394020 Dealing: 0296 312736						
American Eagle	5	54.19	54.19	57.87	-0.93	7.33
Australia	5	5.537	5.537	5.928	-0.16	4.40
Equity	5	140.6	140.6	150.9	-0.9	5.10
Euro Spec Sits	5	94.10	94.10	101.1	....	0.68
Financial	5	24.61	24.61xd	26.55	-0.32	3.27
Global Opps Inc	5	56.01	56.02	60.27	-0.59	0.00
Global Opps Acc	5	56.43	56.43	60.72	-0.59	0.00
Gold & Gen Inc	5	37.40	37.40	40.18	-0.73	1.00
Gold & Gen Acc	5	69.71	69.71	74.88	-1.37	1.00
Income	5	86.90	86.90xd	93.60	-0.51	6.62
Japan & General	5	103.9	103.9	111.9	-3.6	0.00
Preference Share	5	17.41	17.41xd	18.75	-0.02	14.15
UK Capital	5	76.52	76.52	82.13	-0.62	4.29
World Income	5	51.72	51.72xd	55.56	-0.62	6.36
Worldwide Capital	5	143.4	143.4	154.3	-1.2	3.54
Templeton Unit Trust Managers Ltd (1200)F						
Athell Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	88.47	89.18	95.38	-1.56	3.87
Global Growth Inc	6	85.08	85.69	91.64	-1.5	3.87
Global Balanced Acc	6	90.01	90.48	96.77	-1.33	4.97
Global Balanced Inc	6	83.86	84.29	90.15	-1.24	4.97
Value Tst Acc	6½	67.90	69.00	73.79	-0.34	4.52
Value Tst Inc	6½	66.21	67.28	71.95	-0.32	4.52
Intl Pen & Ch Un Acc♥	2	86.56	87.91	92.29	....	3.91
Intl Pen & Ch Un Acc♥	2	83.53	84.83	89.06	....	3.91
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	45.87	46.17	49.11	....	-
Overseas	5	38.43	38.62	41.08	....	-
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	38.21	38.21	40.74	-0.8	0.27
(Accum Units)	5	39.32	39.32	41.93	-0.80	0.27
Cash	0	50.56	50.56	50.56	+0.01	13.72
Accum Units	0	50.56	50.56	50.56	+0.01	13.72
European Opps ♣	5	56.62	56.62	60.38	+0.02	0.00
(Accum Units) ♣	5	56.99	56.93	60.72	+0.05	0.00
Far Eastern Opps	5	95.12	95.12	101.45	-1.86	0.00
(Accum Units)	5	95.73	95.73	102.10	-1.87	0.00
Golden Opps	5	27.83	27.83	29.68	-0.88	0.00
(Accum Units)	5	28.63	28.63	30.53	-0.90	0.00
Intl Hi-Yield	5	46.81	46.81	49.92	-0.62	5.52

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Oct 10	37.0	38.4	....	2.85
Euro Expt Oct 10	45.9	48.1	....	2.72
Fixed Int Ex Oct 10	43.7	44.8	....	11.22
Japan Expt Oct 10	39.9	41.5	....	0.86
Managed Ex Oct 11	37.0	38.4xd	....	5.28
SE Asia Expt Oct 10	52.9	55.5xd	....	3.59
Sml Cos Expt Oct 10	30.6	32.1	....	5.29
UK Eqty Ex Oct 10	36.8	38.6	....	4.17
Phillips & Drew Fund Management Ltd				
Small Co's Oct 3	587.8	630.6	....	5.55
Do Accum	653.7	701.2	....	5.55
Int Expt Oct 10	140.7	143.0	-5.8	4.24
UK Index Oct 3	955.0	975.6	....	5.25
Do Accum	1009	1029	....	5.25
Convertible Oct 5	76.01	78.53	....	9.75
World ex UK Index Oct 8	627.6	636.0	....	2.24
Do Accum	627.6	636.0	....	2.24
Japan Index Oct 8	507.8	515.2	....	0.62
Do Accum	508.8	516.1	....	0.62
USA Index Oct 8	718.5	723.2	....	3.68
Do Accum	728.6	733.3	....	3.68
Europe ex UK Index Oct 8	770.6	789.4	....	3.12
Do Accum	782.6	801.6	....	3.12
Pacific ex Jap Index Oct 8	734.9	757.1	....	5.59
Do Accum	748.8	771.3	....	5.59
Managed Exempt Oct 10	89.43	91.07	+2.69	5.55
American Exempt Oct 10	92.60	94.20	-7.70	4.27
European Exempt Oct 10	99.15	100.4	-3.6	4.59
Japan Exempt Oct 10	103.7	104.9	+1.25	0.75
Pacific Basin Oct 10	97.0	100.1	-3.5	4.26
NM Rothschild Asset Management Ltd				
NC Managed	51.7	55.0xd	-0.5	4.59
NC Property	174.3	191.2	....	-
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	117.6	118.61	....	4.23
Stewart Ivory & Co Ltd				
Saints PPP Sept 14	231.1	243.34	....	0.00
Closed to new business				

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	301.3	317.2	.....	-
UK Equity	384.5	404.6	+0.2	-
Overseas Eq.	280.5	295.4	-2.3	-
Americas	202.7	213.4	-3.2	-
Far East	292.8	308.1	-6.8	-
Property	188.8	198.8	-	-
Fixed Int.	231.3	243.5	+0.2	-
Indexed Gilt	143.3	150.9	+0.5	-
Deposit	170.5	179.8	+0.1	-
Pension Fund (Accum Units)				
Managed	415.2	438.2	-1.2	-
UK Equity	488.5	514.3	-0.1	-
Overseas Eq	459.4	483.6	-4.8	-
Americas	270.2	284.5	-4.4	-
Far East	486.7	512.4	-10.5	-
Property	231.5	243.7	.....	-
Fixed Int.	280.3	295.1	+0.2	-
Indexed Gilt	157.5	165.8	-0.3	-
Deposit	234.0	246.4	.....	-
NPI Pensions Management Ltd				
Managed Fund	908.9	925.1	.....	-

Prices Oct 3 Next dealing Nov 1

Norwich Union Asset Management Ltd
PO Box 140 Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	60.7	63.9	-0.1	-
Stock Market Mngd Fund	56.7	59.7	-0.2	-
Equity Fund	65.9	69.4	.....	-
International Fund	48.4	51.0	-0.5	-
European Fund	59.3	62.4	.....	-
North American Fund	46.1	48.5	-0.6	-
Pacific Fund	49.2	51.8	-0.7	-
Property Fund	87.3	91.9	.....	-
Fixed Interest Fund	52.3	55.1	+0.1	-
Index linked Sec Fund	58.2	61.3	.....	-
Deposit Fund	65.5	69.0	.....	-
NUAM Retirement Plans				
Mixed Fund	65.6	69.1	-0.2	-
UK Ordinary Share Fd	75.5	79.5		-
International Fund	52.4	55.2	-0.9	-

Providence Capitol Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Total Investment Bond				
UK Equity Initial	130.9		-0.6	-
UK Fixed Int Initial	107.4		-0.2	-
Intl Equities Initial	100.9		-1.1	-
UK Managed Initial	105.6		-0.5	-
Property Initial	164.2		...	-
Money Initial	83.7		...	-
Special Market Initial	94.4		-0.9	-
Japan Equity Initial	69.6		-2.8	-
North American Initial	60.1		-1.3	-
Pacific Initial	57.9		-0.1	-
Technology Initial	79.9		...	-
Nat Resources Initial	49.0		-0.1	-
European Initial	79.7		-0.3	-
Residential Prop Init	94.0		...	-
Swiss Equities Initial	29.5		-0.1	-
Hong Kong Initial	42.0		+0.1	-
UK High Inc Eq Init	59.3		...	-
Int Fixed Interest Init	49.1		.....	-
Int Managed Init	48.8		-0.3	-
HIP Managed Init	96.2		-0.3	-
HIP Managed II Initial	84.7		-0.4	-
Broker Funds				
High Performance	60.5	63.8	-0.6	-
Towerhill Mngd Fd Acc	38.2	40.2	-0.8	-
YRA Executive Fd	80.3	84.7	-1.5	-
E Global Growth Acc	108.6	114.5	-1.4	-
E High Income Money Acc	131.6	138.6	...	-
IM Balanced		45.9	-0.2	-
H.F. Speculator Fd		113.5	-0.2	-
PEP Acorn II		102.9	-0.1	-
PEP Cautionary		66.8	-0.1	-
AAFS Int Man Fund		109.5	-0.7	-
Andrews-Green Inv Port		76.7	-0.2	-
Individual Pension Funds				
UK Equity Acc	206.3	217.7	-1.1	-
UK Fixed Interest Acc	194.5	205.2	-0.5	-
Intl Equities Acc	188.2	198.6	-2.7	-
UK Managed Acc	165.8	174.8	-1.0	-
Property Acc	208.6	220.1	+0.1	-
Money Acc	148.6	156.8	+0.1	-
Special Market Acc	189.7	200.2	-1.9	-

Royal Heritage Life Assurance Ltd – Contd.

Skandia Life Assurance Co Ltd – Contd.

Sun Alliance Group – Contd.

Windsor Life Assur Co Ltd

Sun Alliance International Life

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (Dlr)	$9.56	10.15	—	—
Mngd Portfolio (Stg)	£3.65	3.92	—	—
Baring Currency Fund Ltd				
US Dollar		$14.48	+0.01	—
Sterling		£17.56	—	—
Deutschemark		DM37.80	+0.02	—
Japanese Yen		Y3,780	+2	—
Managed	$41.58	43.65	+0.12	—
Danirust Management (Guernsey) Ltd				
Danirust Limited	DKr115.30	115.50	—	—
Fipart-Conseil Fund Mngrs (Guernsey) Ltd				
Hausmelle G & B Fd	SFr7.82	7.89	—	1.03
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	$0.3460	0.3690	-0.0002	14.09
Govett Far East Inv.	$0.858	0.917	-0.010	—
Energy & Resources	$0.692	0.740	-0.014	—
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$7.4608	7.9510	—	—
Havelet Throgmorton Mngmnt Ltd				
Intl Inv-Stlg High Inc.	£9.815	10.364	—	10.09
Intl Inv-Intl High Inc.	$48.504	51.116	—	5.54
Henderson Admin. (Guernsey)				
[illegible]	£0.908		—	—
Balanced Gwth $ Prtflo	$1.787	1.925	-0.026	—
Balanced Gwth £ Prtflo	£1.034	1.111	-0.013	—
Select Mkts $ Prtflo	$1.841	1.991	-0.016	—
Inc & Gwth $ Prtflo	$1.666	1.773	-0.009	—
High Income £ Prtflo	£0.596	0.630	+0.003	—
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst.	65.45	70.00	-0.85	2.77
Kleinwort Benson Intl Fd Mngrs Ltd				
KB Int.Ac.Bd.Acc*	$8.627	9.087	—	—
KB Japan Fund		$205.13	—	—
KB Sterling Asset	£29.16	29.17	—	—
*Offer price inclusive of maximum preliminary charge				
Kleinwort Benson Islamic Fd Mgmt Ltd				
Islamic Fund	$5.70	6.10	+0.05	0.48
Lazard Fund Managers (CI) Ltd				
Lazard Cap. Gwth Bond	2809.26	2968.34	—	8.1
Lazard Cur Acc Fd £	£18.49	18.50	—	14.2
Lazard Cur Acc Fd US$	$14.56	14.57	—	6.9
Lazard Cur Acc Fd Y	Y3,790	3,800	—	7.4
Lazard Cur Acc Fd DM	DM51.06	51.05	—	7.2

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin (Isle of Man) Ltd				
Fermo Fd Oct 4		£11.63	...	—
UK Trend Oct 4		£8.40		—
Target International (Isle of Man) Ltd				
TMC Offshore Fd.	£7.69	8.32	...	—
Fleet Street Inv Fd.	£6.97	7.41	...	—
Offshore Income Fd Ltd.	£8.92	9.38	...	—
Nelson Miles W/W 5/5	£9.05	9.53	...	—
Tattersall Intl Assets	£6.66	6.94	...	—
Tyndall International (Isle of Man) Ltd				
M.I. Gilt/Bulldog	99.6			—
(Accum Shares)	158.7	166.8	-0.3	—
Unibank Scandinavian Fund Ltd				
Scandinavia Fd.	164.22	174.76	—	1.0

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Inc)	5¼	£0.777	0.777	0.836	[illegible]	2.5
Global Income (Inc)	5¼	£0.395	0.399	0.427	[illegible]	4.4
Global Resources £	5¼	£0.34	0.344	0.368	[illegible]	1.3
Currency Fund						
Stg Premium Income £		£10.17	10.18		+0.02	14.0
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, Capital Hse, Bath St, St. Helier, Jersey						
Tel: 0534 74889 (Dealing)						0534 75639 (Helpline)
Facsimile 0534 79040						Telex: 4192136
Capital House International Growth Funds Ltd						
Equities						
UK Equity	5	£1.075	1.090	1.157	[illegible]	—
North American	5	$1.334	1.368	1.452	[illegible]	—
Japanese	5	$1.464	1.473	1.5633	[illegible]	—
Pacific Basin	5	$2.129	2.148	2.280	[illegible]	—
Continental European	5	$2.316	2.344	2.488	[illegible]	—
Gold	5	$1.331	1.357	1.440	[illegible]	—
Bonds						
Sterling Bond	5	£1.368	1.368	1.443	[illegible]	—
International Bond	5	$1.799	1.799	1.895	—	—
Currencies						
£ Sterling	0	£24.47	24.47		+0.01	14.74
US$	0	$18.78	18.78		...	6.76
Japanese Yen	0	Y3,580	3,609		...	6.38
D Marks	0	DM57.70	57.70		+0.01	6.77
Swiss Francs	0	SFr50.76	50.76		+0.01	6.14
Fr Francs	0	FFr226.40	226.40		+0.1	8.50
Ecu's	0	Ecu26.92	26.92		+0.01	8.78
Managed						
Intl Portfolio	5	$1.623	1.623	1.730	[illegible]	—

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar mixed on rate doubts

THE DOLLAR was firmer *against European currencies* but finished below Y130 against the Japanese yen in subdued foreign exchange trading yesterday.

Confusion about interest rates was compounded by *doubts that the US will* find an early solution to the budget deficit issue. The White House appeared to be pessimistic that it will come to an effective compromise agreement with Congress.

Failure is likely to hold back any fall in US interest rates. According to a Washington report, the Federal Open Market Committee has agreed to a cut of ¼ per cent in short-term rates as soon as legislation to reduce the budget deficit becomes law.

But despite weakness in the economy, it was reported that *the FOMC did not agree to a* suggestion by Mr Alan Greenspan, chairman of the Federal Reserve Board, that it also approve a second cut linked to signs of economic weakening. The report, which had no official status, concluded that consumer and business confidence has been hit hard by a number of factors, including rising oil prices, and that lower interest rates would not give the economy much of an immediate boost.

Against this background, the *dollar finished higher overall* but towards the lowest levels of the day, after President George Bush threatened to close down government departments if there is no budget agreement by the time an *emergency bill expires on October* 19. Dealers said that Mr Bush's comments represented a further loss of credibility in the US government process.

At the London close the dollar had improved to DM1.5320 *from DM1.5280; to* FFr5.1300 from FFr5.1150; and to SFr1.2900 from SFr1.2770, but it eased to Y129.90 from Y130.00. The dollar's decline against the yen came despite comments from Mr Yasushi Mieno, governor of the Bank of Japan, that the fall had been a bit too fast and that the US Fed would take appropriate steps to reduce inflation. On Bank of England figures the dollar's index rose to 61.0 from 60.8.

Sterling showed little reaction to the speech by Mr John Major, chancellor of the exchequer, at the Conservative Party annual conference. His comments about a sharp fall in inflation encouraged hopes of lower interest rates, but the pound did not break out of its recent trading range.

Sterling rose to DM3.0100 from DM3.0075; to *FFr10.0800* from Ffr10.0675; and to SFr2.5350 from SFr2.5125; but it eased to Y255.25 from Y255.75. The pound's index fell 0.1 to 96.1.

Figures issued by the European *Commission, shortly* before the London close, gave the Italian lira as the weakest member of the European Monetary System exchange rate mechanism, and listed sterling as 2.13 per cent above lira central rate, against 2.12 per cent on Wednesday.

£ IN NEW YORK

Oct.11	Latest	Previous Close
£ Spot	1.9680-1.9690	1.9680-1.9690
1 month	0.92-0.91pm	0.96-0.94pm
3 months	2.54-2.52pm	2.61-2.58pm
12 months	8.15-8.00pm	8.30-8.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.11	Previous
8.30 am	96.2	95.8
9.00 am	96.3	95.7
10.00 am	96.2	95.8
11.00 am	96.2	95.9
Noon	96.2	95.9
1.00 pm	96.2	95.9
2.00 pm	96.0	96.1
3.00 pm	96.1	96.1
4.00 pm	96.1	96.2

CURRENCY MOVEMENTS

Oct.11	Bank of England Index	Morgan** Guaranty Changes %
Sterling	96.1	-16.7
U.S Dollar	61.0	-18.5
Canadian Dollar	102.5	+0.8
Austrian Schilling	109.5	+11.6
Belgian Franc	111.3	-2.3
Danish Krone	110.4	+4.9
Deutsche Mark	118.6	+24.6
Swiss Franc	114.7	+24.4
Guilder	114.3	+15.9
French Franc	105.3	-11.3
Lira	99.2	-19.8
Yen	135.1	+69.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.10 .

OTHER CURRENCIES

Oct 11	£	$
Argentina	11093.7 - 11184.9	5650.00 - 5695.00

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9590 - 1.9670	1.9645 - 1.9655	0.92-0.90cpm	5.56	2.54-2.51pm	5.14
Ireland†	1.7490 - 1.7615	1.7490 - 1.7500	0.33-0.28cpm	2.09	0.97-0.87pm	2.1
Canada	1.1480 - 1.1530	1.1510 - 1.1520	0.40-0.43cdis	-4.32	1.19-1.23dis	-4.19
Netherlands	1.7210 - 1.7325	1.7270 - 1.7280	par-0.03cdis	-0.1	0.10-0.14dis	-0.28
Belgium	31.50 - 31.65	31.55 - 31.65	0.50-3.00cdis	-0.66	3.00-7.00dis	-0.63
Denmark	5.83½ - 5.85¼	5.85½ - 5.86	0.85-1.10oredis	-2.0	2.70-3.20dis	-2.01
Germany	1.5265 - 1.5370	1.5315 - 1.5325	0.01-0.03pfdis	-0.16	0.12-0.15dis	-0.35
Portugal	134.20 - 134.80	134.45 - 134.55	70-85cdis	-6.91	235-265dis	-7.43
Spain	96.25 - 96.60	96.30 - 96.40	46-54cdis	-6.23	137-150dis	-5.96
Italy	1145½ - 1150¼	1147 - 1147½	2.50-3.00liredis	-2.88	7.20-8.20dis	-2.68
Norway	5.90¾ - 5.93¾	5.92¾ - 5.93¼	1.30-1.55oredis	-2.88	4.25-4.75dis	-3.04
France	5.11¼ - 5.14½	5.12¾ - 5.13¼	0.68-0.73cdis	-1.65	2.20-2.30dis	-1.75
Sweden	5.64 - 5.66½	5.64¾ - 5.65¼	2.10-2.25oredis	-4.62	6.65-7.15dis	-4.88
Japan	129.60 - 130.75	129.85 - 129.95	0.05-0.03ypm	0.37	0.03dis-par	-0.05
Austria	10.77 - 10.81½	10.79 - 10.79½	0.20-0.55grodis	-0.42	1.40-2.40dis	-0.7
Switzerland	1.2810 - 1.2950	1.2895 - 1.2905	0.07-0.03cpm	0.47	0.10-0.03pm	0.2
ECU	1.3450 - 1.3465	1.3450 - 1.3460	0.19-0.17cpm	1.61	0.59-0.56pm	1.71

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9590 - 1.9670	1.9645 - 1.9655	0.92-0.90cpm	5.56	2.54-2.51pm	5.14
Canada	2.2575 - 2.2660	2.2625 - 2.2635	0.29-0.18cpm	1.25	0.66-0.51pm	1.03
Netherlands	3.39 - 3.40¼	3.39 - 3.40	1¾-1½cpm	5.52	4¾-4¼pm	5.01
Belgium	61.80 - 62.15	62.05 - 62.15	29-23cpm	5.02	77-67pm	4.64
Denmark	11.46¼ - 11.51¾	11.50¾ - 11.51½	4¼-3¼orepm	3.84	10¼-8¾pm	3.32
Ireland	1.1190 - 1.1240	1.1220 - 1.1230	0.45-0.40cpm	4.54	1.15-1.00pm	3.83
Germany	3.00 - 3.01¾	3.00½ - 3.01½	1½-1¼pfpm	5.73	3¾-3½pm	4.98
Portugal	262.90 - 265.20	263.20 - 264.20	¾-¼cpm	0.01	¾-¼pm	0.01
Spain	188.40 - 189.90	188.80 - 189.10	60-100cdis	-5.08	180-300dis	-5.08
Italy	2251 - 2257½	2253¾ - 2254¾	6¾-5lirepm	3.09	17-14pm	2.75
Norway	11.62¾ - 11.67	11.64¾ - 11.65¾	3¼-2¾orepm	2.9	7¾-6¾pm	2.4
France	10.06 - 10.09	10.07½ - 10.08½	3¾-3¼cpm	4.17	9¾-8¾pm	3.57
Sweden	11.09¾ - 11.13	11.09¾ - 11.10¾	1¾-1orepm	1.28	1¾-1pm	0.5
Japan	254½ - 257	254¾ - 255¾	1¾-1¼ypm	6.17	3½-3¾pm	5.39
Austria	21.15 - 21.25	21.20 - 21.23	9¾-8¾gropm	5.13	25¾-23¾pm	4.6
Switzerland	2.52½ - 2.54¼	2.53 - 2.54	1¾-1¼cpm	6.21	3¾-3¼pm	5.42
ECU	1.4500 - 1.4540	1.4515 - 1.4525	0.51-0.48cpm	4.09	1.35-1.29pm	3.64

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.71-4.66cpm . 12 Month 8.14-8.04cpm Correction; Sterling/DMark close for 10.10.90, 3.00½-3.01

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 11	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	129.866	-2.82	3.45	50
Sterling	0.696904	0.686050	-1.56	2.13	29
French Franc	6.89509	6.91440	0.28	0.25	-12
Belgian Franc	42.4032	42.5263	0.29	0.24	-11
Irish Punt	0.767417	0.769868	0.32	0.21	-12
Danish Krone	7.84195	7.87094	0.37	0.16	-14
German D-Mark	2.05586	2.06551	0.47	0.07	-26
Dutch Guilder	2.31643	2.32839	0.52	0.02	-22
Italian Lira	1538.24	1546.47	0.54	0.00	-23

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

† European Commission Calculations.
* All SDR rates are for Oct.10

FINANCIAL FUTURES AND OPTIONS

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
September	1540.0	1544.0	-	1554.0	1532.0	10,851
October	1545.0	1547.5	-1.5	1558.0	1539.0	708
November	1550.0	1550.0	-4.0	1550.0	1550.0	440
December	-	-	-	-	-	-

Estimated volume 7,369 Total Open Interest 11,999

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	Nat Westminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	15
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	15½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	16
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	15½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	15	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16½	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	15	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	15
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	15	● Hill Samuel	§14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk.of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

London rates ease

RATES HAD a softer tone in London yesterday as Mr John Major, the UK chancellor, addressed the Conservative Party conference in Bournemouth. Mr Major's reassurances about falling inflation and lower interest rates set the tone for money market trading, but wholesale rates had *already moved down ahead of* the chancellor's speech, and there was little further reaction.

UK clearing bank base lending rate
14 per cent
from October 8, 1990

Three-month sterling interbank traded at 13⅞-13¾ per cent before the speech and at 13⅞-13¾ at the close compared with 13⅞-13¾ previously. One-year money eased to 13-12⅞ per cent from 13⅛-13.

On Liffe short sterling futures were caught by the *more* confident mood in early trading, but held in a narrow range and showed little change overall.

The December contract opened higher at 86.90 and touched 86.93 before closing at *86.88 against 86.86 previously*.

The Bank of England initially forecast a day-to-day credit shortage of £300m on the money market, but revised this to £500m at noon. Total help of £335m was provided.

Before lunch the authorities bought £205m bills outright, by way of £13m Treasury bills in band 2 at 13¾ per cent and £192m bank bills in band 2 at 13¾ per cent. In the afternoon another £130m bills were purchased, via £74m bank bills in band 1 at 13⅞ per cent and £56m bank bills in band 2 at 13¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £411m, with a rise in the note circulation absorbing £80m, and bank balances below target £30m. These outweighed Exchequer transactions adding £210m to liquidity.

In Paris the Bank of France left its money market intervention rate at 9½ per cent and its five to 10-day repurchase rate at 10¼ per cent when injecting funds into the banking system yesterday. The rates were last changed on April 26.

In Frankfurt call *money* remained ay 8.05 per cent in quiet trading, with dealers seeing little chance of a substantial change in the near future. Banks reserve levels at the Bundesbank are high at an *average of DM73.4bn so far this* month, but banks in the east of the country continue to hold more reserves than necessary. This is clouding matters and keeping rates firm.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

JOTTER PAD

CROSSWORD

No.7,365 Set by VIXEN

ACROSS

1 Show causing tradesmen to revolt (11)
7 Scoffed at egghead (3)
9 The Spaniard when older has no need of one (5)
10 "The Trance" arranged for a ballet performance (9)
11 Admitting quiet guys to a club can occasion dismay (9)
12 In the winter season days are short (5)
13 Many edge by a boy and blush (7)
15 Some American Indians are very boastful (4)
18 Keep going, though behind all the others (4)
20 Cold wind – easterly (7)
23 Backing expertise of French dealing (5)
24 A game fighter – a good man – a champion (9)
26 The new senator is to make a statement (9)
27 No longer in the minority (2,3)
28 Count as a little one (3)
29 Judges may well find images start appearing distorted (11)

DOWN

1 Step outside first, showing restraint (8)
2 An influential man, and treated right, being in deep water (8)
3 A point made by the prime minister (5)
4 The governor must be seen to be within it (7)
5 A way a twitch is apt to move about (7)
6 Occasions when children may not be choosy (9)
7 A buttress on the beach (6)
8 Some evergreen trees surround this course (6)
14 Beat it when murder's an alternative (5-4)
16 A man has to settle with a worker in some doubt (8)
17 Order elegant cape (8)
19 Drink to celebrate, so causing irritation (7)
20 Swarms appearing since about spring (7)
21 Struggling artist, hard-pressed (6)
22 Hound the blockhead getting in a flutter (6)
25 Smell nothing – grim, that! (5)

Solution to Puzzle No.7,364

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices October 11

INDICES

NEW YORK

DOW JONES	Oct. 10	Oct. 9	Oct. 8	Oct. 5	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2407.92	2445.54	2523.76	2510.64	2999.75 (16/7)	2407.92 (10/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.86	89.09	89.29	89.17	93.04 (3/1)	88.44 (24/9)	—	—
Transport	835.43	841.35	859.65	866.31	1212.77 (6/6)	828.03 (27/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	203.60	204.67	208.50	205.42	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2472.03 (2514.60) Low 2387.38 (2437.87)

STANDARD AND POOR'S	Oct. 10	Oct. 9	Oct. 8	Oct. 5	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	300.40	305.10	313.48	311.50	368.95 (16/7)	300.40 (10/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	353.11	358.67	369.18	367.04	437.37 (16/7)	353.14 (10/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	19.76	20.14	20.79	20.79	31.87 (3/1)	19.76 (10/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	164.97	167.41	171.65	170.70	201.13 (16/7)	164.97 (10/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	299.26	303.05	306.51	306.48	382.45 (5/1)	299.26 (10/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	333.25	339.11	348.14	347.36	469.60 (16/7)	333.25 (10/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 5	Sept.2	Sep.21	year ago (approx.)
Dow Industrial Div. Yield	4.04	4.14	4.03	3.62
	Oct. 3	**Sep.26**	**Sept19**	**year ago (approx.)**
S & P Industrial div. yield	3.42	3.49	3.29	2.71
S & P Indl. P/E ratio	14.86	14.56	15.12	14.29

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Wal-Mart Stores	3,751,400	25⅛	- 1
Toys R US	2,689,500	20⅞	- 1⅛
Waste Man	2,580,500	30⅛	- ¼
IBM	2,254,500	103½	- 1⅞
Phillip Morris	2,253,200	45⅛	- ½
Gen Electric	2,144,500	52	- ⅞
Am T & T	1,583,600	31⅛	- ⅞
Mobil	1,512,300	58⅞	- 1⅛
Ford Motor	1,511,400	30	- 1
Motorola	1,485,800	53	+ ¼

TRADING ACTIVITY

† Volume (Millions)	Oct. 10	Oct. 9	Oct. 8
New York	167,890	145,610	99,470
Amex	10,913	11,715	8,198
NASDAQ	121,041	109,583	74,907
Issues Traded	1,980	1,978	1,927
Rises	351	286	819
Falls	1,207	1,310	621
Unchanged	422	382	487
New Highs	1	-	12
New Lows	278	192	95

CANADA

TORONTO	Oct 10	Oct. 9	Oct. 8	Oct. 5	1990 HIGH	1990 LOW
Metals & Minerals	2708.95	2811.80	(c)	2852.73	3453.05 (4/1)	2708.95 (10/10)
Composite	3109.87	3139.50	(c)	3166.86	4009.47 (3/1)	3109.87 (10/10)
MONTREAL Portfolio	1652.76	1670.41	(c)	1688.27	2060.90 (3/1)	1652.76 (10/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 11	Oct. 10	Oct. 9	Oct. 8	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1341.1	1360.2	1375.4	1369.4	1713.7 (12/1)	1341.1 (11/10)
All Mining (1/1/80)	658.0	669.4	677.6	677.5	860.8 (5/1)	658.0 (11/10)
AUSTRIA						
Credit Aktien (30/12/84)	425.81	425.79	431.72	430.81	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5060.92	5071.15	5131.49	5147.64	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	337.52	336.80	339.60	338.81	398.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	420.5	423.5	429.4	430.4	677.3 (23/1)	420.5 (11/10)
FRANCE						
CAC General (31/12/82)	421.92	421.68	427.54	428.37	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1541.76	1541.04	1549.87	1585.67	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	610.26	602.27	618.37	622.16	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1750.0	1728.80	1772.7	1782.3	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1428.38	1407.11	1433.41	1465.53	1968.56 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2864.41	2872.41	2913.52	2925.48	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1264.76	1258.53	1295.02	1321.64	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	555.95	556.02	566.95	571.55	763.52 (14/6)	554.30 (25/9)
JAPAN						
Nikkei (16/5/49)	22585.63	(c)	23495.11	23630.00	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1671.68	(c)	1728.69	1727.19	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3079.62	(c)	3146.12	3124.44	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	469.08	470.09	474.46	473.86	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	231.6	232.6	231.8	235.5	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	170.1	170.8	170.2	172.9	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	762.09	773.20	775.04	782.45	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	540.62	552.34	571.81	567.37	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	301.45	303.27	307.58	311.34	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1437.04	(c)	1509.0	1513.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2673.04	(c)	2682.0	2682.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	621.93	617.12	(c)	614.06	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	216.22	217.59	219.54	222.84	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	969.9	969.8	983.0	991.8	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	647.6	642.9	648.0	653.1	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	2573.45	(c)	2746.25	2895.61	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	644.43	665.55	682.19	680.09	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	451.5	455.5	462.1	571.0 (4/1)	423.1 (28/9)

**Saturday October 6: Taiwan Weighted Price 2739.04 Korea Comp Ex. 616.47
♦ Subject to official recalculation.
Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 11 October 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Itoman	9.8m	760	+17	Sato Kogyo	6.5m	1,290	+100
Honshu Paper	9.7m	2,050	-250	Nippon Steel	6.5m	410	-23
Marubeni	8.8m	671	-19	IHI	5.8m	640	-45
Tatsuta Elc Wire	7.5m	1,450	+120	Hitachi	5.4m	1,190	-30
Kobe Steel	6.6m	488	-14	Nitto Seiko	4.9m	1,700	+10

3pm prices October 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	9½	AAR	.48	4.9	6	289	10	9¾	9¾	- ¼
9¾	7¾	ACM n	1.01	13.		188	8	7⅞	8	+ ⅛
11⅝	8¾	ACMIn	1.26	14		914	9⅛	9	9	
9¼	8½	ACM M	n1.01	15.		357	7	6⅞	6⅞	- ⅛
12⅛	10	ACMMM	1.50	13.		56	11½	11⅜	11½	+ ⅛
11½	6⅝	ACM Sc	1.26	14.		1541	8⅞	8¾	8⅞	- ⅛
9⅝	7¼	ACMSp	1.01	13.		315	7¾	7⅝	7⅝	- ⅛
24⅝	14⅛	AL Lab	.16		9 16	64	18	17¾	17¾	- ½
5¾	1¼	AM Intl				707	1⅜	1⅜	1⅜	
23⅛	5¾	AM In pf	2	33.		231	6	d 5¾	6	+ ¼
104⅞	39¾	AMR			9	5424	41⅝	39¾	39⅞	-1⅝
26½	25	ANR pf	2.67	10.		7	25½	25½	25½	
4⅛	2⅛	ARX			8	19	2½	2½	2½	
72¼	42⅝	ASA	3a	6.7		887	45⅝	44½	44½	-1⅛
45⅝	30⅞	AbtLab	s.84	2.1	19	7531	40½	39⅝	39⅝	- ⅞
14½	11⅛	AbitIbi	g .50			39	11⅞	11¾	11¾	- ¼
11⅝	4⅞	AcmeC	.40	8.2	8	126	5	4⅞	4⅞	- ¼
9⅞	5½	AcmeE	.32	5.8	7	26	5⅝	d 5⅜	5½	- ¼
32⅝	16⅞	Acuson s			20	1104	24	23	23¼	- ½
16⅞	14⅛	AdaEx	2.08e	14.		28	14⅞	14⅝	14¾	- ⅛
15⅝	10	Adobe				490	10¾	10⅝	10⅝	- ¼
21⅝	19¾	Adob pf	2.40	12.		2	20½	20½	20½	
11¼	3¾	AMD			17	6086	4⅛	d 3⅝	4⅛	+ ¼
32⅝	18	AMD pf	3	18.		13	16½	16⅛	16⅛	
9¼	2	Advest	.16	8.0	25	150	2	d 1⅞	2	
62½	29¾	AetnLf	2.76	9.2	5	7347	30⅜	d29⅝	30	+ ⅛
13¾	7⅝	AffPb	.24	3.1		427	7¾	7⅝	7¾	+ ⅛
24½	11⅞	Ahmans	.88	6.9	6	2375	13¼	12¾	12¾	- ⅞
3⅞	1⅞	Aileen			9	66	3⅞	3¼	3⅜	
61	43	AirPrd	1.44	3.3	11	1329	44⅞	d42⅞	43	-2
27	14½	AirFrt s	.30	2.0	8	292	15¼	14¾	14¾	- ⅜
24½	12⅞	Airgas			22	69	12½	d12	12	- ⅞

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20	8¼	Reebok	.30	3.1	8	2062	10	9¾	9¾	
15	8¾	ReichTg	1.52	17.	5	14	9	8⅞	9	+ ⅛
6¼	4⅞	RelGrp	.32	6.6		79	4⅞	4⅞	4⅞	
30½	19½	Repsol n	.85e	4.0		908	22	21½	21½	− ⅝
5	3⅛	RepGyp	.19t	5.4	88	14	3½	3½	3½	
52⅞	37¼	RepNY	1.32	3.4	120	75	39	38⅞	38⅞	− ⅜
7⅞	1¼	Rexene				66	1⅝	1⅝	1⅝	
27⅛	12⅝	ReyRey	.80	5.8	6	45	14	13⅞	13⅞	
70	48½	ReyMtl	1.80	3.3	7	6847	55⅞	53¼	54⅛	−2⅛
67½	56¼	RP Rcr n				465	61⅛	60¼	60⅜	− ½
42	21	RhP pfC				7	21	21	21	
19	9⅞	RhP pfA	1.60e	17.		18	9½	9¼	9¼	− ¼
3½	⅝	RheP wt				35	1	⅞	1	+3-16
22	9¼	RhnPl n	1.60e	16.		9	10¼	10	10¼	
41	29½	RiteAid	.90	2.9	12	1410	31¼	30⅞	31	
11-32	3-64	RvrOak				10	7-128	7-128	7-128	−1-128
16¼	8¼	RbtHlf			8	74	9¼	d 8⅞	8⅞	− ⅜
14⅛	5½	Robtsn				148	5⅝	d 5⅞	5	− ⅛
22⅛	16⅞	RochG	1.56	8.5	10	21	18⅜	18⅛	18⅛	− ⅛
45¼	25	RochTl	1.46	5.6	14	236	27⅞	26	26¼	− ¾
22⅛	15¼	RckCtr	1.88	12.	15	171	15⅞	15¼	15¼	
28¼	19¾	Rockwl	.86	3.6	10	2040	24½	23⅝	23¾	− ¾
194⅛	145	Rkint pf	1.35	.8		1	180	180	180	
7½	5	RodRen			12	2	5	5	5	
35⅞	24¼	RoHaas	1.24	4.9	10	186	26½	25½	25½	−1¼
28⅛	11½	Rohr				1335	12½	11⅞	12	− ¾
15¼	7¼	RollinE	.09	1.2	17	647	7⅞	7½	7½	− ⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25½	14¼	Wynns	.60	4.1	9	20	14¾	d14½	14½	− ½
		– X–Y–Z –								
68⅜	32¼	Xerox	3	9.2	6	2383	33⅝	32⅜	32½	− ¾
49	45	Xerox pf	4.13	9.2		5	45	45	45	
32⅞	16	XTRA	.72	4.6		4	15¾	d15⅝	15⅝	− ⅜
25¼	15	XTRA pf	1.94	13.		12	15¾	d15¼	15¼	− ¾
4	1	Zapata				340	1⅛	1	1	− ⅛
16	4½	ZenithE				800	4⅝	4⅝	4⅝	− ⅛
19⅞	12⅞	ZenNtl	.88	7.0	8	40	12⅞	d12⅝	12⅝	− ¼
8¼	4½	Zenix	.98	19.		284	5⅛	5	5	− ⅛
17¼	9⅞	Zero	.40	4.0	10	101	10½	10⅛	10⅛	− ⅛
51⅛	30⅛	Zurnin	.76	2.4	13	316	33¾	30¾	31¼	−2¼
12⅝	10¼	Zweig	1.18e	12.		223	10½	10¼	10⅜	− ⅛
10	7⅞	ZweigTl	.84	11.		1282	8⅛	7⅞	7⅞	− ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices October 11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

3pm prices October 11

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICA

Dow tumbles further as oil price rises again

Wall Street

SURGING oil prices and concern about third quarter corporate results quelled an early recovery and sent equities broadly lower in heavy trading yesterday morning, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was down 46.29 at 2,361.63. On Wednesday, the Dow lost 37.62 to 2,407.92.

The decline was broadly based, with declining issues leading advancing by four to one. At 1 pm, the Standard & Poor's 500 index was 4.22 lower at 296.17, the New York Stock Exchange Composite was off 2.22 at 162.75 and the American Exchange Composite was down 4.30 at 296.19.

Equities initially rallied on some short-covering and bargain-hunting, but the recovery was short-lived. By 12.30 pm the Dow was down nearly 38 points as November crude added $1.59 a barrel to $40.28.

Soaring oil prices had a mixed impact on oil service companies, with Schlumberger falling $1⅛ to $57⅞, Dresser Industries gaining $⅜ to $17¼ and Halliburton sliding $1⅜ to $49⅞. Oil company stocks moved lower including Mobil, off $1⅜ at $57, Texaco, down $1⅜ at $58⅛ and Amoco, which slid $⅜ to $53⅞.

Golden Valley Microwave plunged $2 to $8⅛ after a delayed opening. The company said third quarter earnings would probably be flat at 27 cents.

Chemical Banking slid $⅜ to $14½ after it reported a third quarter loss of $43.7m after a $250m provision for loan losses, and cut its quarterly dividend to 25 cents a share from 68 cents. Other banks also moved lower. Chase Manhattan lost $¼ to $12⅛ and Citicorp fell $⅜ to $13¾.

Blue chip stocks were mixed. IBM dropped $2¼ to $101¼, Philip Morris lost $⅜ to $44⅞, AT&T improved $½ to $31⅜ and Coca-Cola was $⅛ higher at $40⅛.

Tandem Computers added $⅝ to $10⅞ in active trading after the company said it expected to report record fourth quarter revenues.

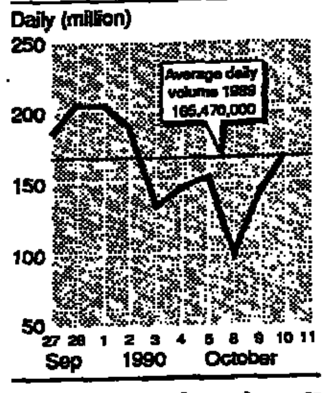
News Corp's ADRs tumbled $1¾ to $8⅛ amid concern that the media group was struggling under its debt burden.

In over-the-counter trading, Software Toolworks plummeted $2⅝ to $2⅛ after the company said late on Wednesday that it expects to report a second quarter loss. Last week, shares in the company plunged 41 per cent after analysts questioned the company's earnings prospects and cut their estimates. MCI Communications fell $2⅛ to $30⅞ in heavy trading.

Toy company issues moved lower yesterday morning amid gloomy projections for the fourth quarter as the economy weakens and oil prices rise. Tonka slipped $⅛ to $4⅞, Mattel fell $1⅛ to $15⅞ and Hasbro lost $½ to $11¾.

NYSE volume

Daily (million)



Canada

TORONTO sank to the session's lows at midday following a speech by Mr Douglas Hurd, the British foreign secretary, in which he said Iraq must be convinced to leave Kuwait, if not peacefully then by force. US President George Bush's U-turn on taxes also depressed prices. The composite index lost 34.9 to 3,074.9 on volume of 13.6m shares. Declines led advances by 274 to 113.

Royal Trustco dropped C$⅜ to C$9⅜ after reporting late on Wednesday that third quarter earnings had halved.

ASIA PACIFIC

Nikkei drops 3.9% as familiar fears return

Tokyo

PROFIT-TAKING won the day as investors returning after Wednesday's holiday were depressed by the steep fall in New York, a weak bond market, and concern about unrest in the Middle East, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed 909.46 lower at 23,585.63. During the day the leading index moved from a high of 23,479.69 to a low of 22,521.20.

The market's difficulty in staying above 23,000 appeared to confirm the view that it was likely to trade between 20,000 and 23,000 for some time.

Falling issues eclipsed gains by 926 to 74, while 73 stocks were unchanged. Turnover fell to 300m shares from Tuesday's 440m. The Topix index of all listed stocks weakened 57.01 to 1,671.68. In London, the ISE/Nikkei 50 index eased 1.31 to 1,310.17.

Dealers who had been supporting the market recently took their profits as the world economic outlook worsened.

Selling battered high-technology issues on worries about an economic downturn in the US and a slowdown in the US semiconductor market. Hitachi fell Y30 to Y1,190 and Sony lost Y340 to Y6,400.

Interest rate fears dealt a further blow to large-capital issues. Shipbuilders were also depressed by a 36 per cent fall in new orders in August. Ishikawajima Harima Heavy Industries fell a hefty Y45 to Y640 and Mitsubishi Heavy declined Y26 to Y705.

The housing sector was another victim of higher interest rates, which were expected to hamper housing starts. Misawa Homes, whose profits have increased in the past business term on a strong housing market, lost Y100 to Y1,630.

Real estates were lower as a proposed land tax was expected to hurt their prospects. Mitsui Real Estate and Mitsubishi Estate both lost Y60 to Y1,190 and Y1,140 respectively.

On the positive side, Ube Industries was pursued on news that its plastic moulding machine would be used by General Motors for production of its new car, Saturn. Ube climbed Y48 to Y588.

Speculative issues were popular despite concern stemming from Honshu Paper's recent sharp falls. Honshu dropped another Y250 to Y2,950 yesterday. Tatsuta Electric Wire and Cable advanced Y200 to Y1,650.

In Osaka, the OSE average suffered a sharp fall of 787.59 to 26,207.19. Volume slipped to 22.7m shares from Tuesday's 31.6m. Morita Fire Pump Manufacturing, a speculative stock, rose Y200 to Y1,680 in active trading. The gloomy outlook for the US economy hit Nintendo, the video game maker, which lost Y1,300 to Y22,200.

Roundup

UNREST in the Middle East, firm oil prices and falls on overseas markets pushed the Pacific Rim lower yesterday.

TAIWAN returned from its holiday in a bearish mood as the government revised down its 1990 economic growth target for the second time in two months. The weighted index tumbled 172.8, or 6.3 per cent, to 2,573.45. Volume halved to T$11.2bn from T$25.4bn.

SEOUL inched ahead for the second consecutive session on reports that the government would restructure the financial sector. The composite index improved 4.81 to 621.93.

AUSTRALIA was hit by late selling, particularly of highly geared companies. Mr Rupert Murdoch's News Corp lost 60 cents to A$5.80. Elders IXL shed 8 cents to A$1.10, its lowest since January 1986. The All Ordinaries index dropped 19.1, or 1.4 per cent, to 1,341.1, its lowest since March 1988.

HONG KONG overcame early weakness to close higher. The Hang Seng index was finally 12.00 ahead at 2,884.81.

SINGAPORE fell to a 21-month low. The Straits Times Industrial index lost 10.64 to 1,079.50. In **KUALA LUMPUR**, the composite index eased 1.01 to 469.08.

MANILA drifted lower on fears of another rise in oil retail prices. The composite index fell 11.72 to 540.62.

BANGKOK'S SET index receded 11.12 to 644.43, while in **BOMBAY**, heavy selling knocked 87.05 off the BSE index to 1,472.38.

SOUTH AFRICA

WEAK GOLD and platinum prices pulled Johannesburg lower yesterday. Volumes remained thin after the previous day's holiday. The all-gold index dropped 72 to 1,437, while the all-share index fell 46 to 2,647.

EUROPE

Bourses resist falls in Japan and US

BOURSES SHOWED surprising resilience to falls in Tokyo and New York yesterday, *writes Our Markest Staff.*

FRANKFURT rose on short-covering following two days of sharp declines. Stable bond prices also helped. The DAX index rose 21.27 to 1,428.38 while the FAZ index, calculated at midsession, added 7.99 to 610.26. Volume, at DM3.9bn, was light but an improvement on Wednesday's DM3.3bn.

One Düsseldorf broker reported cautious bargain-hunting in leading stocks from London. Deutsche Bank rose DM9 to DM604 and Siemens put on DM11.50 to DM551.50. From a chartist's point of view, the DAX was amassing support at 1,350-1,430, although the market was expected to consolidate further before moving forward, he added.

Mannesmann was DM5 better at DM341 on the back of a positive recommendation from Enskilda Securities, which visited the company recently. Earnings from Mannesmann's pipe division were likely to be boosted by the recent Amoco order for gas pipes, the brokers said, and the higher oil price increased the chances of further orders, as energy exploration became more profitable. It could also be assumed that Mannesmann would win the mobile phone contract for the five east German states, it said.

Schering, also on the buy list of several brokers because of its defensive qualities, jumped DM23.50 to DM659. Among bulk chemicals, BASF rose DM1 to DM208 and Bayer firmed DM3.10 to DM217.50. Degab, Deutsche Bank's research arm, yesterday downgraded 1990 and 1991 earnings estimates for BASF and Bayer.

Horten, the retailer controlled by BAT Industries of the UK, rose DM32 to DM217, after becoming the first west German retail company to acquire a department store in east Germany.

MILAN heard conflicting rumours regarding Ferruzzi, which lifted the group's stocks although the rest of the market was weak. Thanks to the firm Ferruzzi shares, the Comit index only lost 0.07 to 555.95.

One rumour, from London and later denied by the company, was that Ferruzzi would be legally obliged to offer Montedison shareholders a cash option as well as its already published swap of 10 Montedison shares for seven Agricola shares. The other rumour, heard in Milan, was that Ferruzzi had found a foreign, possibly French, partner to take up 40 per cent in Enimont. Ferruzzi has been fighting a long battle to win control of the chemical company. Ferruzzi Agricola jumped L118 or 6.4 per cent to L1,940 while Montedison rose L11 to L1,170.

Mediobanca, which said it had bought 5 per cent of Continental AG of Germany and 2 per cent of Paribas last June, lost L190 to L14,200. Fiat remained under a cloud, losing L31 to L6,320.

MADRID's general index slipped 1.37 to 216.22; the news of a slightly better-than-expected inflation figure for September had no impact, as the bolsa continued to wait for information from the Middle East. Last month's consumer price index rose 1.1 points, leaving the year-on-year figure unchanged at 6.5 per cent.

Tabacalera, the tobacco group, rose Pta30 to Pta3,280 after the previous day's news that it had sold Dirsa, the food store chain, to BBV.

AMSTERDAM drifted in thin trade, closing marginally lower. The CBS Tendency index fell 0.1 to 93.1 having moved between a low of 92.7 and a high of 93.8.

Philips shed 10 cents to Fl 20.80. In an in-house magazine, Mr Jan Timmer, chairman, announced that he had launched Operation Centurion, a drive to cut bureaucracy and improve productivity.

Pakhoed, which said late on Wednesday that it expected an increase of almost 40 per cent in 1990 net profits, rose Fl 2.90 to Fl 187. The company is also considering a stock split.

PARIS finished marginally higher after the index fluctuated within a narrow range. The CAC 40 index closed 1.64 up at 1,541.76, after moving between a low of 1,530.42 and a high of 1,552.43.

Turnover remained lifeless at about FFr1.3bn. Hopes of a cut in short-term interest rates lifted share prices at midsession. But one dealer said that the badly needed cut in long-term rates could not be expected until after the resolution of the Gulf crisis.

The day's biggest gain was by Pechiney International, which rose FFr9.20 or 7.8 per cent to FFr127.90 in active trading of 305,100 shares, including one block of 74,000 shares. The stock has been rated a buy by several brokers recently.

STOCKHOLM recovered from early losses, leaving the Affärsvärlden General index 0.1 firmer at 969.9. Wednesday's announcement that S-E Banken is to acquire 28 per cent of Skandia, the insurance company, led to more busy trading. Skandia free A shares gained SKr11 to SKr153. S-E Banken A shares fell SKr2.50 to SKr63.50.

Perstorp, the chemicals group, revealed a fall in full year profits that were better than expectations, said analysts. The shares closed unchanged at SKr470.

OSLO fell to a 1990 low in thin trading. The all-share index closed 9.35 down at 516.76 in turnover of NKr160m. Aker, one of Norway's biggest industrial groups, posted a small rise in profits at the eight-month stage. The free shares rose NKr2 to NKr92 in low volume of 4,800 shares.

ZURICH managed a small improvement as sellers joined buyers on the sidelines. Blue chips attracted what interest there was and the Crédit Suisse stock index firmed 2.4 points to 499.9.

Vancouver tightens leash on larger-than-life players

Bernard Simon gives an insight into a volatile exchange geared towards start-up ventures

NONE OF the players who made Vancouver the most colourful stock exchange in North America are enjoying themselves much these days.

Investors have seen their shares sink to the lowest level in a decade. The speculative companies that dominate the Vancouver Stock Exchange's (VSE) listings are struggling to raise money. And the larger-than-life stock promoters who grease the wheels of the market are finding themselves on an increasingly tight leash as the exchange fights to convince a sceptical public that it is a market for serious investors, rather than gamblers or cowboys.

The total amount of funds raised on the stock market by VSE-listed companies shrivelled to C$29.6m (US$25.7m) last month, more than a third below the level of September 1989. Initial offerings have come to a near standstill, with only C$1.1m raised in September, down from C$6.5m a year earlier.

The VSE composite index closed at 574.27 on Wednesday, just above the year's low of 572.79, a numbing 72 per cent below the peak of 2,024 reached in 1987. This compares with a fall of 24 per cent in the Toronto composite index from its top in 1987.

The Vancouver index has declined in all but one of the last 23 trading sessions. To make matters worse, the average daily value of shares traded was 49 per cent lower last month than in September last year.

VSE supporters are confident that the slump is little more than an echo of the tremors being felt on other stock markets. Mr Frank Giustra, president of Yorkton Securities, a leading VSE player, says all the VSE needs to bounce back is another jump in the gold price.

Mr David Jiles, research manager at Odlum Brown, a Vancouver securities company, says: "It is still a viable exchange for start-up companies which want to raise risk capital." Mr Jiles sees the VSE becoming an avenue for industrial, and especially high-technology, enterprises around the Pacific Rim.

Its ability to do so will depend heavily on whether it can curb the excesses of the promoters and brokers who have given it the reputation of a casino. In a phrase which is picked up time and again, Forbes magazine last year called the VSE the "scam capital of the world".

The exchange received another big dose of bad publicity last week on prime-time US television. A television crew posing as New York investors used hidden cameras to film a broker apparently offering to "trade the market down" to encourage purchases of shares in Puff Pac Industries, an inflatable packaging concern.

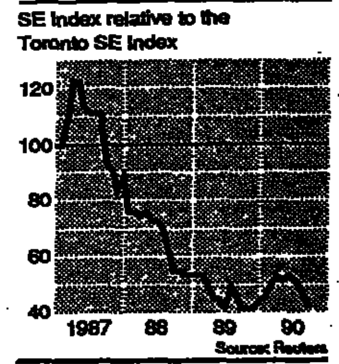
In another interview, a well-known Vancouver promoter seemingly claimed a hair-loss treatment developed by a VSE company was on the brink of being approved by the US Food and Drugs Administration.

The VSE is investigating the incidents. But it contends that such activity is less frequent than it used to be, and that every stock exchange has its share of doubtful characters.

In general, the exchange is trying to strike a delicate balance between safeguarding investors and setting listing standards so high that even genuine start-up companies are excluded.

Vancouver

SE Index relative to the Toronto SE Index



Source: Reuters

Listing requirements and disciplinary actions have been tightened to the point where the VSE claims that its companies are more closely scrutinised now than any venture enterprises in the US.

A pre-listings advisory committee has been formed to weed out frivolous listings. In a further effort to distinguish between "venture" companies and more mature stocks, the exchange earlier this year introduced three new sub-indices. A third of the exchange's board of governors are now non-members.

Regulators would like to tighten controls on the 25 or so active promoters and a horde of individuals who make markets in VSE-listed companies by persuading investors about their products and prospects.

In the past three years, the British Columbia (BC) Securities Commission has gained powers to remove directors of public companies and to strip unscrupulous promoters of their trading privileges. More than 100 such orders have been issued.

The commission recently held hearings into charges of insider trading and disclosure violations against Mr Murray Pezim, the VSE's most famous promoter.

The regulators have been unable, however, to come up with a definition of a promoter which ensures that a crooked operator would not be able to continue in the same business under a different umbrella. Mr Wade Nesmith, superintendent of brokers, says: "We have not given up, and we are still working at it."

Given the type of stocks it specialises in, the VSE will probably never be able to shake off its image problem entirely. As Mr Giustra puts it, the VSE "is a venture capital market; it is extremely volatile and is not for the faint-hearted".

Even as the exchange was digging itself out of the latest avalanche of bad publicity, one of the most heavily traded shares earlier this week was a mining exploration company called Moondust Ventures.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 10 1990								TUESDAY OCTOBER 9 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	132.42	−1.9	99.75	108.81	105.19	106.52	−1.0	7.29	135.00	101.57	111.19	107.07	107.61	158.31	125.85	156.27
Austria (19)	188.88	−2.3	142.29	155.22	150.05	150.04	−2.0	1.82	193.42	145.53	159.31	153.40	153.07	285.63	178.57	171.78
Belgium (61)	132.74	−1.3	100.00	109.07	105.45	102.95	−1.2	5.63	134.55	101.23	110.81	106.71	104.19	160.02	126.67	142.74
Canada (120)	125.90	−0.7	94.85	103.45	100.01	104.84	−0.7	3.82	126.75	95.36	104.39	100.52	105.59	153.61	125.90	153.16
Denmark (33)	246.96	−1.0	186.04	202.94	196.18	195.73	−0.7	1.52	249.41	187.65	205.43	197.81	197.17	277.82	234.05	199.29
Finland (26)	101.86	−1.3	76.74	83.71	80.92	77.31	−1.1	3.54	103.18	77.63	84.99	81.84	78.18	152.29	101.86	124.91
France (123)	132.38	−1.0	99.73	108.78	105.16	106.22	−0.8	3.87	133.67	100.57	110.09	106.00	107.04	169.85	124.98	136.26
Germany (91)	110.16	−2.6	82.99	90.53	87.51	87.51	−2.4	2.57	113.07	85.07	93.14	89.67	89.67	144.63	101.36	100.79
Hong Kong (48)	117.04	−1.4	88.17	96.17	92.98	116.53	−1.4	5.66	118.65	89.27	97.72	94.10	118.12	147.49	112.24	118.54
Ireland (17)	149.01	−3.9	112.25	122.45	118.37	119.63	−3.6	4.37	155.04	116.65	127.70	122.96	124.09	198.57	139.04	157.93
Italy (81)	83.53	−2.2	62.92	68.63	66.35	71.44	−2.1	3.41	85.36	64.23	70.31	67.70	72.95	109.26	80.87	91.32
Japan (454)	127.64	+0.2	96.15	104.88	101.41	104.88	+0.0	0.81	127.34	95.81	104.88	101.01	104.88	197.26	106.58	181.18
Malaysia (35)	186.58	−0.8	140.56	153.31	148.21	193.83	−0.8	3.16	188.05	141.49	154.88	149.14	195.37	250.89	182.96	206.77
Mexico (13)	497.67	−1.8	374.92	408.96	395.35	1586.12	−1.4	0.43	506.72	381.25	417.36	401.88	1609.42	561.41	324.53	325.66
Netherland (41)	133.18	+0.1	100.33	109.44	105.80	104.67	+0.3	5.47	132.99	100.06	109.54	105.48	104.34	149.03	127.56	128.90
New Zealand (16)	54.34	−3.0	40.94	44.66	43.17	46.66	−2.7	7.44	56.02	42.15	46.15	44.43	47.94	75.36	54.34	81.50
Norway (28)	244.88	+0.3	184.48	201.23	194.53	196.35	+0.4	1.58	244.16	183.70	201.10	193.65	195.61	276.79	202.34	177.15
Singapore (25)	148.78	−1.4	112.08	122.26	118.19	118.68	−1.3	3.60	150.92	113.55	124.31	119.69	120.25	209.24	147.24	168.67
South Africa (60)	166.27	+0.0	125.26	136.63	132.08	136.65	+0.0	4.18	166.29	125.12	136.96	131.88	136.65	251.39	151.50	158.09
Spain (42)	136.39	−1.2	102.75	112.08	108.34	99.40	−0.9	5.54	138.10	103.90	113.75	109.53	100.28	182.25	128.54	161.75
Sweden (27)	179.19	−1.5	134.99	147.26	142.36	149.55	−1.3	2.71	181.87	136.83	149.80	144.24	151.51	234.93	168.07	182.76
Switzerland (67)	91.01	−0.7	68.56	74.79	72.31	72.05	−0.7	2.96	91.61	68.93	75.46	72.67	72.53	109.77	85.00	89.28
United Kingdom (300)	166.44	−0.7	125.39	136.76	132.21	125.39	−0.6	5.55	167.70	126.17	138.11	132.99	126.17	176.18	139.87	140.33
USA (533)	121.02	−1.6	91.17	99.46	96.15	121.02	−1.6	4.06	123.01	92.55	101.32	97.57	123.01	148.95	121.02	145.11
Europe (966)	135.52	−1.2	102.09	111.36	107.66	105.07	−1.0	4.45	137.10	103.15	112.92	108.74	106.14	157.66	124.91	125.94
Nordic (114)	184.90	−1.0	139.29	151.94	146.88	144.31	−0.8	2.09	186.78	140.53	153.84	148.13	145.49	223.29	172.36	167.54
Pacific Basin (656)	127.18	+0.1	95.81	104.51	101.04	105.07	−0.1	1.22	127.08	95.61	104.67	100.79	105.17	192.75	107.62	177.86
Euro – Pacific (1622)	130.92	−0.4	98.63	107.58	104.00	105.81	−0.5	2.58	131.51	98.94	108.31	104.29	106.32	174.18	116.03	157.19
North America (653)	121.23	−1.6	91.33	99.64	96.33	119.99	−1.6	4.04	123.15	92.66	101.45	97.69	121.89	148.43	121.23	145.49
Europe Ex. UK (666)	116.58	−1.5	87.82	95.82	92.63	93.02	−1.3	3.60	118.31	89.01	97.46	93.85	94.24	145.62	109.94	116.00
Pacific Ex. Japan (202)	121.11	−1.7	91.24	99.54	96.22	104.05	−1.2	6.38	123.23	92.71	101.51	97.74	105.33	146.72	121.11	137.72
World Ex. US (1815)	131.31	−0.4	98.92	107.91	104.32	106.48	−0.5	2.64	131.90	99.24	108.65	104.62	107.00	173.77	117.12	157.15
World Ex. UK (2048)	122.85	−0.8	92.55	100.96	97.61	109.58	−0.9	2.78	123.90	93.22	102.06	98.28	110.56	162.00	115.37	152.90
World Ex. So. Af. (2288)	126.49	−0.8	95.29	103.95	100.49	110.97	−0.9	3.09	127.57	95.98	105.08	101.18	111.94	161.84	118.04	151.73
World Ex. Japan (1894)	127.52	−1.4	96.06	104.80	101.32	114.45	−1.3	4.30	129.30	97.29	106.51	102.57	115.95	151.59	124.31	138.08
The World Index (2348)	126.73	−0.8	95.47	104.14	100.68	111.15	−0.9	3.10	127.80	96.15	105.26	101.36	112.12	162.05	118.33	151.75

Markets closed October 10 : Japan and South Africa. Latest prices were unavailable for this edition.